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TODILTO
EXPLORATION AND DEVELOPMENT CORPORATION

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LIAB. AG
R/W
BR. SEC.
FILE

G. WARNOCK
PRESIDENT
H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

March 7, 1979

Mr. Ted A. Koenig
Acting Area Director
U.S. Department of the Interior
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona 86515

Re: ARPM/332

Dear Mr. Koenig:

Thank you very much for your letter of February 22 concerning our application to obtain permission to negotiate with Mr. Brown Vandever for mining lease on his allotment located on the SW/4, Section 18, T13N, R10W, McKinley County, New Mexico.

You asked for our cash bonus plus other lease terms that we would offer. We are the holders of Lease #N00-C-14-20-5681, issued in 1975, and assume all those general lease terms are still valid. If so, we would propose a lease on the subject property be identical with those lease terms which were dictated at that time and not a question of negotiation--unless the Bureau of Indian Affairs has subsequently modified those terms. If so, we would propose that the negotiated lease be exactly identical with the terms of the latest issued BIA leases for uranium.

We would propose to bid for cash bonus, eight thousand four hundred eighty dollars (\$8,480.00) which, on the approximately 160 acre tract, is \$53.00 per acre.

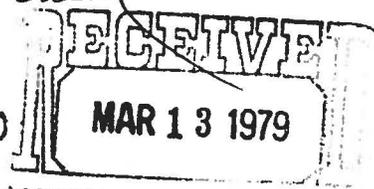
We thank you for your consideration in this matter and as indicated by Mr. Adams, we are quite anxious to get a decision on this question and would appreciate your earliest possible reply.

Sincerely,

G. Warnock

GW:dt

cc: Mark Adams
Rodey, Dickason, Sloan, Akin & Robb, P.A.



MAR 13 1979 ASSISTANT AREA DIRECTOR (Res)

AREA BUREAU CH OF

530-107

United States Senate

WASHINGTON, D.C. 20510

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1979 MAR -5 PM 5:15
AREA DIRECTOR'S OFFICE
31A NAVAJO AREA OFFICE
WINDOW ROCK, AZ.

March 1, 1979

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FBI - ALBUQUERQUE	

Mr. Donald Dodge
Area Director
Navajo Area Office
Window Rock, Arizona 86515

Dear Mr. Dodge:

My office has been contacted by Mr. Mark K. Adams, of Albuquerque, New Mexico, regarding difficulties that Mr. Brown Vandever is having with respect to land in McKinley County.

Because of the desire of my office to be responsive to all inquiries and correspondence, I have enclosed a copy of Mark's letter for your comments and consideration.

Any information that you could provide to assist my office in responding to Mark's concerns would be greatly appreciated.

Thank you for your assistance.

Sincerely,

Harrison Schmitt
United States Senator

HS:xab
Enclosure

Please address your correspondence to:

Senator Harrison Schmitt
9017 New Federal Building
500 Gold, S. W.
Albuquerque, New Mexico 87102
505/766-3636

RECEIVED

MAR 7 1979

AREA BRANCH OF
REAL PROPERTY MGMT.

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBE
CHARLES B. LARHABEE
JAMES C. RITCHIE
JOHN P. EASTMAN
WILLIAM C. SCHAAE
WILLIAM C. BRIGGS
RAY H. RODEY
ROBERT D. TAICHERT
ROBERT M. ST. JOHN
JOSEPH J. MULLINS
DUANE C. GILKEY
MARK K. ADAMS
ROBERT G. MCCORKLE
PETER G. PRINA
BRUCE HALL
JOHN P. SALAZAR
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CATHERINE T. GOLDBERG
CHARLES L. SAUNDERS
KENNETH J. FERGUSON
STANLEY N. HATCH
STEVEN P. BAILEY
ERIC L. MERL

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.

COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

OF COUNSEL
DON L. DICKASON

PEARCE C. RODEY
1889-1956

TELEPHONE 765-5900
AREA CODE 505

January 31, 1979

Mr. Donald Dodge
Area Director
Navajo Area Office
Window Rock, Arizona 86515

Re: ARPM/332

Dear Mr. Dodge:

I am writing this letter on behalf of Brown Vandever, the Navajo allottee of SW/4 Sec. 18, T13N, R10W, McKinley County, New Mexico, and Todilto Exploration and Development Corporation. This letter discusses a serious violation by the United States of its fiduciary obligations to Mr. Vandever as his trustee, and asks that action be taken promptly to correct this violation.

In 1974, George Warnock, the president and only director of Todilto, obtained a Mining Lease of S/2 N/2 and SE/4 Sec. 13, T13N, R11W, which adjoins Mr. Vandever's land to the west, from the United States Atomic Energy Commission. Mr. Warnock started mining uranium on the land leased from the Atomic Energy Commission and on N/2 NW/4 Sec. 19, T13N, R10W and SW/4 Sec. 13, T13N, R11W, which he leased from Santa Fe Pacific Railroad Company. Mining has been continuous on the leased land since then, and will be completed by the middle of this year. Mr. Vandever's son, brother and nephew all work at the mine. In 1975 Mr. Warnock formed Todilto and assigned his interests in the Atomic Energy Commission and Santa Fe leases to it.

Since early 1975 both Mr. Vandever and Mr. Warnock have wanted Todilto to mine the uranium ore on Mr. Vandever's land in conjunction with Todilto's operations on the adjoining land. Mr. Vandever was eager to receive the bonus, rentals and royalties which he would receive if his land were leased and mined, and Mr. Warnock believed that Todilto could profitably mine the ore on Mr. Vandever's land if it could do so in conjunction with its mining operations on adjacent land. Mr. Vandever does not have enough land to support an independent mining operation.

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Mr. Donald Dodge
January 31, 1979
Page Two

Mr. Vandever and Mr. Warnock knew that because Mr. Vandever's land was restricted Indian allotted land, it could be mined only pursuant to a lease approved by the Secretary of the Interior. Under 30 CFR 172.6, allotted land leases may be issued only after (a) negotiation by an Indian allottee who has received written permission to negotiate or (b) competitive bidding.

Consequently, in early 1975 Mr. Vandever and Mr. Warnock both made verbal and written requests to your Office either to grant Mr. Vandever permission to negotiate with Mr. Warnock for a lease or to offer Mr. Vandever's land for leasing by competitive bidding. In all their contacts with your Office, Mr. Vandever and Mr. Warnock made it clear that they knew that no lease could become effective until it was approved by the Secretary and stressed their willingness to accept any reasonable lease terms desired by the Secretary.

In the Spring of 1975, your Office denied Mr. Vandever permission to negotiate with Mr. Warnock, but advised him that you were "processing a uranium lease sale" by competitive bidding and that you intended to include Mr. Vandever's land in the sale. The sale was held in August 1975, but for reasons unknown either to Mr. Vandever or Mr. Warnock your Office rejected all bids for a lease of Mr. Vandever's land.

Todilto continued its mining on land adjoining Mr. Vandever's. Mr. Vandever, aware that he was losing bonus, rental and royalty income, became angry at Mr. Warnock over Todilto's failure to mine. Mr. Warnock and Mr. Vandever continued their efforts to have your Office either include Mr. Vandever's land in a competitive lease sale or grant Mr. Vandever written permission to negotiate.

Nevertheless, in September 1976 your Office advised Mr. Warnock that it had decided not to conduct a competitive uranium lease sale for Mr. Vandever's land or any other land and that it would not grant Mr. Vandever permission to negotiate "until the regulations affecting mining on Indian lands are revised." Proposed revised regulations were published in the Federal Register on April 5, 1977, but have not yet been adopted. Your

Mr. Donald Dodge
January 31, 1979
Page Three

Office has continued to deny Mr. Vandever's verbal and written requests for permission to negotiate.

The situation was rapidly becoming critical. Early in 1978, Mr. Warnock advised your Office that Todilto would recover all of the uranium ore on the land then leased by it within 18 months, and that unless mining could start on Mr. Vandever's land before then, Todilto's mine would have to be shut down and all equipment removed. Mr. Warnock also pointed out to your Office that if the Todilto mine were shut down before Mr. Vandever's land was mined, the land would almost certainly never be mined because it is not large enough to support an independent mining operation.

Nevertheless, in December 1978 your Office once again refused to grant Mr. Vandever permission to negotiate. At the same time you advised Mr. Warnock that Mr. Vandever's land would be included in a competitive lease sale "to be held in 1979." However, unless the lease sale is held very soon, you will not be able to lease Mr. Vandever's land to Todilto soon enough for Todilto to begin mining it by the middle of 1979. If Todilto cannot begin mining by the middle of 1979, Todilto will have to shut down its mine and Mr. Vandever's land will be unmined forever.

Mr. Warnock has mined up to the boundary of Mr. Vandever's land and encountered valuable uranium ore at the boundary. The ore undoubtedly continues into Mr. Vandever's land and, if mined, could produce a significant royalty income for him.

But if Todilto is not able to begin mining Mr. Vandever's land by the middle of this year, both Mr. Vandever's income and the value of his land will be diminished. The United States has strict fiduciary obligations to Mr. Vandever as his trustee to secure the maximum return for him from his land, and will clearly have violated these obligations if his land is not mined. Mr. Vandever is prepared to seek appropriate legal redress against the United States for the losses he would suffer on account of such a breach of its fiduciary obligations.

Mr. Donald Dodge
January 31, 1979
Page Four

This letter will be the final plea by Mr. Vandever and Mr. Warnock to your Office to permit the issuance of a mining lease for Mr. Vandever's land. Mr. Vandever and Mr. Warnock both believe that you could issue a lease soon enough to permit Mr. Vandever's land to be mined if you promptly gave Mr. Vandever permission to negotiate with Mr. Warnock pursuant to the authority contained in 25 CFR 172.6, and Mr. Vandever hereby requests such permission. Of course, a negotiated lease would not be effective until it was approved by the Secretary, and Mr. Vandever and Mr. Warnock will accept all reasonable lease provisions desired by the Secretary.

If despite the authority contained in 25 CFR 172.6 you will not grant Mr. Vandever permission to negotiate, Mr. Vandever and Todilto hereby request that Mr. Vandever's land be advertised immediately for leasing by competitive bidding pursuant to 25 CFR 172.4 and 172.6. If such advertising is in any way delayed, you cannot issue a lease in time for Todilto to start mining Mr. Vandever's land by the middle of this year. If mining is delayed beyond then, Mr. Vandever's land will never be mined and he will lose substantial royalty income. If this occurs, Mr. Vandever is prepared to seek damages against the United States for breach of its fiduciary responsibilities to him.

I am by copies of this letter advising Mr. Vandever's representatives in the United States Senate and House of Representatives of this situation and asking them to take whatever action they consider appropriate to help Mr. Vandever. By another copy of this letter I am advising Secretary Andrus of this situation in the hopes that he and his staff will realize the extent to which the United States has to date failed properly to discharge its fiduciary responsibilities to Mr. Vandever and take appropriate corrective action.

Mr. Donald Dodge
January 31, 1979
Page Five

I will promptly upon request furnish you, Senator Domenici, Senator Schmitt, Representative Runnels, Secretary Andrus, or any other interested person with more detailed information.

Yours very truly,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By Mark K. Adams
Mark K. Adams

MKA:dj

cc: Senator Domenici
Senator Schmitt
Representative Runnels
Secretary Andrus

Nevada Area Office
Window Rock, Arizona 86515

FILE COPY

Signature

[Handwritten Signature]

ARPM/332

MAR 15 1979

Honorable Harrison Schmitt
9017 New Federal Building
500 Gold, SW
Albuquerque, New Mexico 87102

Dear Mr. Schmitt:

Mr. Mark Adams' letter of January 31, 1979 and George Warnock's attempt to negotiate a uranium mining lease on Brown Vandever's allotment is under review.

Mr. Warnock was requested to quote a possible offer which has just been received and is under review.

As soon as we have completed the review, we will advise Mr. Warnock of our decision.

Sincerely yours,

JACK KYSELKA

ACTING Area Director

cc: ~~ARPM/332~~ G. WARNOCK Negotiation of Uranium Mining Lease
Chrono
M&F
300

330: TLYNCH: dmm: 03-15-79a

[Handwritten signature]

ARPM/332

MAR 16 1979

Memorandum

To: Area Mining Supervisor, Conservation Division
U. S. Geological Survey, Albuquerque, New Mexico
Acting Assistant

From: Area Director

Subject: Request for Permission to Negotiate for Uranium Mining Lease
on Allotted Lands

Enclosed are copies of letters dated January 31, 1979 from Mr. Mark K. Adams, attorney for George Warnock, our letter to Mr. Warnock and his reply dated March 7, 1979.

Also enclosed are excerpts from the August 1975 lease sale results which show that Warnock was outbid by Corrine Grace on the subject tract of land. Her bid was also considered low and was rejected. The average bid per acre at Sale No. 7 was \$43.66. Most of the tracts contributing to the average are located close to Crownpoint.

We are requesting your recommendation on Warnock's offer and request to negotiate. Your comments should include economic factors involving Warnock's present operations proximate to the subject land versus the feasibility of entertaining a second operator. Perhaps access problems may arise for a second operator that may hinder development operations. Comments on estimated ore deposits would be helpful.

We will appreciate your comments on this matter.

JACK KYSELMAN

Enclosures

cc: ~~ARPM/332~~ Negotiation of Uranium G. WARNOCK
Chrono
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330: TLYNCH: dmn: 03-15-70a



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

ABSTRACT
ABSTRACT
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R/W
BR. SEC.
FILE

MAR 19 1979

Honorable Harold Runnels
House of Representatives
Washington, D.C. 20515

Dear Mr. Runnels:

This is to acknowledge receipt of your copy of a letter of January 31 from Mr. Mark K. Adams concerning the leasing, for uranium mining purposes, of property owned by Mr. Brown Vandever, Navajo allottee.

The Bureau of Indian Affairs Navajo Area Office at Window Rock, Arizona is now in contact with the principals in this issue, and it is anticipated that a negotiated settlement can be achieved in the near future. You can be sure that Mr. Vandever's best interest is of prime concern in this matter.

Thank you for your interest in behalf of Mr. Vandever.

Sincerely,

Gary R. Catron
Assistant to the Secretary
and Director of Congressional
and Legislative Affairs

Enclosure

cc: Navajo Area Director - Attention: Tommy Lynch

RECEIVED

MAR 23 1979

AREA BRANCH OF
REAL PROPERTY MGMT.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

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R/W
BR. SEC.
FILE

MAR 19 1979

Honorable Pete V. Domenici
United States Senate
Washington, D.C. 20510

Dear Senator Domenici:

This is to acknowledge receipt of your copy of a letter of January 31 from Mr. Mark K. Adams concerning the leasing, for uranium mining purposes, of property owned by Mr. Brown Vandever, Navajo allottee.

The Bureau of Indian Affairs Navajo Area Office at Window Rock, Arizona is now in contact with the principals in this issue, and it is anticipated that a negotiated settlement can be achieved in the near future. You can be sure that Mr. Vandever's best interest is of prime concern in this matter.

Thank you for your interest in behalf of Mr. Vandever.

Sincerely,

/s/ Rick Lavis

DEPUTY Assistant Secretary - Indian Affairs

Enclosure

cc: Navajo Area Director

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MAR 23 1979

AREA BRANCH OF
REAL PROPERTY MGMT.



United States Department of the Interior

GEOLOGICAL SURVEY

Conservation Division
P. O. Box 26124
Albuquerque, New Mexico 87125

March 20, 1979

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MINERALS 72
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Memorandum

To: Area Director, Navajo Area Office, Bureau of Indian Affairs, Window Rock, Arizona

From: Mining Engineer, SRMA, Albuquerque, New Mexico

Subject: Mineral evaluation of Allotment No. 058010 (SE/4, Sec. 18, T. 13 N., R. 10 W., McKinley County, New Mexico)

Our records show that four uranium exploration boreholes were completed in the E/2, Sec. 18, T. 13 N., R. 10 W., in 1956. The boreholes' locations are unknown, and their gamma ray logs are of poor quality. One borehole apparently encountered more than anomalous mineralization at a depth of about 165 feet, but I estimate the thickness and grade of that intercept to be only 10 feet of 0.05% U₃O₈ or less. In no way can we estimate uranium ore reserves for the subject allotment from the borehole logs, and sufficient data for such an estimate does not exist to our knowledge. We have no record of uranium ore ever being produced from the allotment.

The primary uranium host in the area of the subject allotment is the Jurassic Todilto Limestone, and various open-pit and underground mining operations have produced uranium ore from this stratum as close as the SW/4, Sec. 18, T. 13 N. R. 10 W. The proximity of these mining operations indicates a potential for the occurrence of commercially valuable uranium deposits within the allotment. However, uranium ore in the Todilto Limestone tends to be erratic, and extensive exploration would undoubtedly be necessary to adequately delineate such deposits for mining. While geologic information from the nearby mines might be helpful in originating an exploration program, it could in no way preclude the need for same.



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MAR 21 1979

AREA BUREAU OF
REAL PROPERTY MGMT.

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MAR 22 1979
RES. (Res.)

To the best of our knowledge, the subject allotment is potentially valuable only for uranium. Again, adequate exploration would be necessary to determine the existence of commercially valuable deposits of any other minerals.

While an allottee's use of his or her land is beyond the jurisdiction of the Geological Survey, the possibility of a mining agreement between an allottee and a second party in the absence of a mineral lease could pose problems in regards to the allottee's best interests and to the Department of Interior's trust responsibilities. We therefore believe it would be appropriate to have such agreements reviewed and approved by the BIA and Geological Survey prior to execution.



Dale C. Jones
Mining Engineer



United States Department of the Interior

GEOLOGICAL SURVEY

Conservation Division
P. O. Box 26124
Albuquerque, New Mexico 87125

ASPMO
ASST
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ENG
LABS
ST
BR. SEC.
FILE

March 26, 1979

Memorandum

To: Area Director, Navajo Area Office, BIA

From: Mining Engineer, SRMA, Albuquerque, New Mexico

Subject: Request for permission to negotiate a uranium mining lease for a Navajo allotment (SW/4, Sec. 18, T. 13 N., R. 10 W., McKinley County, New Mexico)

The subject allotment was previously leased under Navajo Allotted Uranium Leases I-149-Ind-8913 which was cancelled June 2, 1959 and 14-20-0603-7240 which expired October 12, 1972. Underground mining operations were conducted within the allotment during both of these leases. Our records contain some old information regarding uranium ore existing within the property, but the data are neither sufficient nor accurate enough to permit calculation of ore reserves. The data do indicate that commercially valuable uranium ore may occur within the allotment, as does the subject request. We have been advised that Mr. Warnock has no ore reserve data for the property and that exploration would undoubtedly be necessary to verify the presence of recoverable uranium ore deposits.

At the present time, we have no information about Mr. Warnock's ongoing mining operations in Sec. 13, T. 13 N., R. 11 W; however, Mr. Warnock will allow us to review his records if we feel it is necessary. We have been advised that Mr. Warnock does have active underground mine workings immediately adjacent to the subject allotment and that access to the subject allotment could be gained from these workings.

RECEIVED

MAR 29 1979

AREA BUREAU OF
REAL PROPERTY RIGHTS

According to our files, the subject allotment was satisfactorily conditioned for abandonment under lease I-149-Ind-8913. Such was not the case for lease 14-20-0603-7240, and a 1977 field inspection revealed that the last lessee did not properly abandon the property (copy of inspection report enclosed). We are



particularly concerned that one of the mine entries, a declined shaft, is not sealed and presents an extremely hazardous condition considering the proximity of occupied residences. We have discussed this situation with Mr. Thomas Lynch, Realty Specialist at the Navajo Area Office. To the best of our knowledge, the entry is still open.

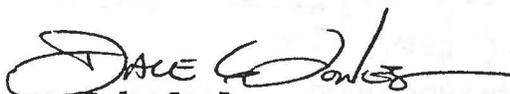
We have reviewed Mr. Warnock's proposed lease terms, and our comments and recommendations are listed below.

1. The same lease terms as those used in Navajo Allotted Land Uranium Lease Sale No. 7 would be acceptable for the negotiated lease except for the royalty schedule (Exhibit "A"). The wording of the Sale No. 7 royalty schedule could be interpreted as allowing royalties to be paid on the amount of uranium recovered from the ore by processing although the intent of the schedule was to require that royalties be paid on the amount of uranium contained in the ore. The Geological Survey's wording of the same schedule (copy enclosed) clearly defines that royalties be paid on the ore's uranium content, and we therefore recommend its use for the negotiated lease.
2. We believe that Mr. Warnock's proposed bonus bid of \$8,480.00 (approximately \$52.00 per acre for the 163.38 acres) is also acceptable. We noted that this amount is higher than the average bid per acre (\$43.66) received in Sale No. 7 and significantly more than the \$1.84 per acre high bid received on the allotment in Sale No. 7. We assume that the annual rental and minimum royalty rates would be the same as those set forth in the Sale No. 7 lease terms as we are unaware of any proposal to modify those rates.
3. Mr. Warnock must fully understand that upon execution of a negotiated lease he would be totally responsible for proper abandonment of the leasehold according to the lease terms, including the restoration of any and all damages caused by previous lessees.

It is virtually certain, even without an accurate estimate of ore reserves, that another operator could not economically develop a mining operation within the subject allotment, and to our knowledge Mr. Warnock is the only person who has expressed such an interest in the property. Mr. Warnock's adjacent mining operations would allow mineral development by precluding costly expenditures for separate mine entries and associated surface facilities. In addition, Mr. Warnock's development would avoid further disturbance of the allotment surface and would eliminate the hazardous condition now present

at the unsealed mine entry. If Mr. Warnock cannot negotiate a mining lease and subsequently recover the uranium ore within the property, it is almost certain that the ore will never be mined. We therefore recommend that Mr. Warnock be granted permission to negotiate a uranium mining lease for the allotment.

We are fully cognizant of the fiduciary obligations described in Mr. Mark Adams' letter of January 31, 1979. However, we also realize that there are certain trust responsibilities that must be exercised in the execution of a mineral lease in behalf of an allottee. We therefore request that we be kept fully informed of any and all developments in the negotiation of any Navajo allotted mineral lease.



Dale C. Jones
Mining Engineer

Enclosures



UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR

330
Attn: P. Barnes

WINDOW ROCK, ARIZONA 86515

April 16, 1979

ARPMO
ASST
MINERALS
ORG
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R/W
BR. BIC.
FILE

Memorandum

TO: Area Director
Asst. Area Director (Resources)

FROM: Field Solicitor

SUBJECT: Analysis of Proposed Minerals Contracts

This memorandum is to confirm a conversation several days ago with the Assistant Area Director (Resources) wherein I informed the Assistant Area Director that the Bureau of Mines in Denver is capable of analyzing proposed minerals (coal, uranium, etc.) proposals on Indian lands. The capability (computerized, I believe) has apparently existed for some time. If the Area Office submits proposals such as the Mobil-Crownpoint lease to the Bureau of Mines for analysis the BIA will be in a much better position to advise the individual Indian allottees on this matter. Likewise, this service should be utilized on all proposals made by energy minerals companies or renegotiation of existing leases.

Bob Davidoff and Bob Steckley are the mining engineers in the Bureau of Mines, Denver who can assist you. They have recently reviewed the Crow (Amax) lease and are now analyzing a Quinalt lease. In light of the upcoming Mobil meeting in Crownpoint, I suggest that you immediately contact the Bureau of Mines for assistance.

If you have any questions, please contact me.

Claudeen Bates Arthur
Field Solicitor

William D. Back
For the Field Solicitor

WDB:jb

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APR 19 1979

AREA BRANCH OF
REAL PROPERTY MGMT.

330

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN P. EASTHAM
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RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.
COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

OF COUNSEL
DON L. DICKASON
PEARCE C. RODEY
1889-1958

TELECOPIER 765-5903
TELEPHONE 765-5900
AREA CODE 505

May 29, 1979

Mr. Donald Dodge
Area Director
Navajo Area Office
Window Rock, Arizona 86515

Re: ARPM/332

Dear Mr. Dodge:

On January 31, 1979 I wrote you on behalf of Brown Vandever, the Navajo allottee of SW/4 Sec. 18, T13N, R10W, McKinley County, New Mexico, and Todilto Exploration and Development Corporation. In that letter, I requested you office to take prompt and appropriate action to issue a mining lease of such land to Todilto.

On February 14, 1979, the Acting Area Director sent a letter to George Warnock, President of Todilto, asking for certain information to be used in reaching a decision whether to authorize a negotiated lease or to advertise for a competitive sale lease. On March 7, 1979, Mr. Warnock replied in writing to the Acting Area Director.

On March 15, 1979 the Acting Area Director advised Senator Schmitt that your Office was reviewing Mr. Warnock's reply. On March 19, 1979, the Deputy Assistant Secretary of the Interior - Indian Affairs, advised Senator Domenici that ("it is anticipated that a negotiated settlement can be achieved in the near future.")

However, neither Mr. Warnock nor I have heard anything from your Office for several months.

I would appreciate your advising me of the status of this matter.

Yours very truly,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: *Mark K. Adams*
Mark K. Adams

MKA:ks

DECEASED
MAY 31 1979
ASSISTANT AREA DIRECTOR (Res.)

RECEIVED
1979 MAY 30 AM 11:55
AREA DIRECTOR'S OFFICE
VIA NAVAJO AREA OFFICE
WINDOW ROCK, AZ.

Navajo Area Office
Window Rock, Arizona 86515

FILE COPY

S. Name

Spick

TRR/8-5c

June 6, 1979

Rodey, Dickason, Sloan, Atkin & Robb, P. A.
Counsellors and Attorneys at Law
20 First Plaza, Suite 700
P. O. Box 1888
Albuquerque, New Mexico 87103

Gentlemen:

This replies to your letter dated May 29, 1979, inquiring into the status of Todilto Exploration and Development Corporation's application for a mining lease on Mr. Brown Vandever's allotted lands.

Due to other equally pressing matters it has not been possible for us to comply with your request to take prompt and appropriate action to issue a mining lease to Todilto. We have gathered some information for our use in considering whether permission should be given to Mr. Brown Vandever to negotiate a mining lease with Mr. George Warnock, but we still have to pursue another source to obtain more input. When this input is received it should enable us to determine that in granting Mr. Warnock permission to negotiate would be in the best interest of Mr. Brown Vandever.

You should realize that our trust responsibility in protecting Mr. Vandever's mineral resources includes assurance that the best possible deal is being pursued for him rather than Mr. Warnock's interest. Thus, Mr. Warnock's proposal is being given every consideration and when completed it may be necessary for him to adjust or revise his offer.

As soon as we reach a decision we will advise Mr. Warnock accordingly.

Sincerely yours,

10/ Paul Barnes

*Acting Assistant
Area Director*

cc: U. S. Geological Survey, Albuquerque, NM

bcc: TRR/8-5c Lease Negotiations

Chrono

M&F

300

330:TYNCH:dmn:06-05-79p

[Handwritten signature]

TRR/8-5c

JUN 6 1979

Memorandum

To: Acting Deputy Commissioner--Indian Affairs
Attention: Trust Services
ACTING ASSISTANT
From: Area Director
Subject: Proposed Negotiated Uranium Mining Lease - Navajo
Allotment No. 077031

This concerns an application for permission to negotiate a uranium mining lease by Mr. George Warnock on ~~Mr. Brown Vandaver's~~ allotment, No. 077031. The allotment is located in the SW $\frac{1}{4}$ of Section 18, T. 13 N., R. 10 W., McKinley County, New Mexico.

Mr. Warnock has been attempting to negotiate a uranium mining lease on Allotment No. 077031 since March, 1975. The allotment was offered in uranium lease sale No. 7 in September, 1975, but his low bid was rejected. A copy of the Area Mining Supervisor's comments dated March 26, 1979, is enclosed.

The Field Solicitor has advised that we obtain an analysis of all proposed mineral leases on Indian lands from the Bureau of Mines using a computerized system of analyzing a lease proposal. This service is to be utilized on all proposals made by energy companies or renegotiating of existing leases.

In compliance with the Field Solicitor's memorandum dated April 16, 1979, I contacted Bob Davidoff, Bureau of Mines, Denver, Colorado, who recommended mineral leases proposals be channeled through your office.

We request a Bureau of Mines analysis of Mr. George Warnock's proposal using basic lease form requiring \$1.00 per acre annual rent, \$53.00 per acre bonus, \$5.00 per acre advance annual royalty and the royalty schedule identical to that of leases issued in 1975. A blank form of leases used in the last Sale No. 7 is enclosed. This is the form referred to by Mr. Warnock.

Paul Barnes

Enclosures

cc: U. S. Geological Survey, Albuquerque, NM
bcc: TRR/8-5c Lease Negotiation
Chrono M&E 300
330:TLYNCH:dmm:06-05-79p

YRR/8-5c

JUN - ? 1979

Memorandum

To: Acting Deputy Commissioner--Indian Affairs
Attention: Office of Trust Services
ASSISTANT

From: Area Director, Navajo

Subject: Proposed Negotiated Uranium Leases On Allotted Lands
Amiran Company

Enclosed are copies of two (2) letters both dated May 14, 1979, from Amiran Company requesting permission to negotiate with the mineral owners of New Mexico Allotment No. 059187 for a uranium mining lease.

The owners of the allotment are in agreement to enter into a lease agreement under the terms proposed by Amiran Company.

We have requested a report and recommendation from the U. S. Geological Survey. In order to expedite the application we are requesting your office to have the Bureau of Mines review and analyze the proposal before giving further consideration to granting permission to negotiate.

If the Bureau of Mines should desire additional information, please have them contact us at Area Code 602 871-5151, Extension 5338.

Ted S. Koenig

Enclosures

cc: YRR/8-5c Lease Negotiation
Chrono
M&F
300

330: TLYNCH:dmm:06-06-79a

July 24, 1979

Per telecon with Mr. Robert Stuckley advised that they had received our request via Washington for uranium lease negotiation review.

(Amiran/G. Warnock Proposals)

I asked Mr. Stuckley if he would advise me of return via/Washington and Mr. Riggs advising me of receipt for my information.

Debi 07-25-79p

*9-6-79 Tel con to Bob Dornstoff - Bar of Mines, Denver -
He returned proposals to WASH during Aug.*



United States Department of the Interior

BUREAU OF MINES

BUILDING 20, DENVER FEDERAL CENTER
DENVER, COLORADO 80225

Office of Minerals Availability

August 7, 1979

Memorandum

To: Acting Director, Division of Minerals Availability *lk*

Through: Chief, Minerals Availability Field Office *HP*

From: Supervisory Geologist, Minerals Availability Field Office

Subject: Analysis of Proposed Uranium Development Agreement on Allotment No. 2872 in McKinley County, New Mexico.

Per your memorandum of July 13, 1979 and the BIA request of July 2, 1979, I have made the subject analysis. The analysis is severely limited because the only hard data that I had to analyze was a two page letter, dated May 14, 1979, from Mr. A. Safiri of Amiran Company to Mr. Donald Dodge, Area Director, Navajo Area Office, and a two page letter from Messers. Jonie and Harry Desedario to Mr. Dodge. These letters did contain some information on the proposed lease agreement and mining costs but were very limited in technical information on which to judge the reasonableness of the lease agreement or mining costs. I feel if some basic information could have been provided on the type of mining (i.e., surface or underground), the size of the orebody, the depth of the orebody, etc., that I may have been able to make a better analysis.

The specific items analyzed follow.

Royalty 25 C.F.R. 172.18(a) reads:

"For substances other than gold, silver, copper, lead, zinc, tungsten, coal, asphaltum and allied substances, oil, and gas, the lessee shall pay quarterly or as otherwise provided in the lease, a royalty of not less than 10 percent of the value, at the nearest shipping point, of all ores, metals, or minerals marketed."

Mr. Safiri's letter of May 14, 1979 states that on a gross value per ton of ore of \$75.60 the Lessor (the Desedario's) will receive \$7.56, or 10 percent of the gross value. This amount would seem to fulfill the requirement of being not less than 10 percent of the ore's value.

Memo to: G.A. Kingston
From: R.C. Steckley

-2-

Mr. Safiri's letter also states that,

"During the actual operations, if a larger profit than we now anticipate is realized, further benefits will be extended to the Desedario Family."

The further benefits that Mr. Safiri offers should be clearly defined. Mr. Safiri's own calculations already show that his profit will be \$14.76 per ton ore or about 24 percent of the gross value of the ore. At what point will the additional benefits be realized by the Desedario family (i.e. when Mr. Safiri is making \$20/ton ore; \$50/ton ore; \$100/ton ore)? At what rate will the Desedario family share in the additional profits (i.e. will they obtain an increase to 20% of gross; 30% of gross; 50% of net)?

Mining Costs - Without knowing what type of mine is planned, it is impossible to determine if Mr. Safiri's estimated mining cost of \$16/ton ore is reasonable. If the mine is an underground mine that must meet all federal and state safety regulations, and if it is going to mine only fifty tons of ore per day, I would expect his estimated mining cost to be too low. However, I do not have much of a basis on which to make this statement and Mr. Safiri's estimate may very well be reasonable.

Milling Costs - As with the mining costs it is difficult to estimate if Mr. Safiri's estimated milling cost of \$20.00 per ton ore is reasonable. Mr. Safiri's cost can be compared to that published by the DOE's Supply Analysis Division (copy attached) which lists average total conventional milling production costs as of January 1, 1977 as \$8 per ton ore. The DOE costs had a range from \$5.00 to \$22.00 per ton ore.

A second comparison can be made with the costs published by Robert Coleman (copy attached) which list Average Direct Operating Costs for a 500 ton per day acid leach, CCD, solvent extraction plant as \$16.00 ton feed; a 500 ton per day acid leach, resin-in-pulp, elvex plant would need \$15.20/ton; and a 500 ton per day alkaline leach, solid-liquor separation precipitation plant as \$18.10 per ton.

The higher milling costs shown by Mr. Safiri may be due to his milling cost being a custom charge that he might have to pay a custom mill.

Hauling Cost - Without knowing the distance of the haul and the type of equipment to be used, it is impossible to estimate the reasonableness of Mr. Safiri's \$3.25 cost.

Memo to: G.A. Kings
From: R.C. Steckley

-3-

Recourse 3/4% - It is assumed that this is a misspelling which refers to the state's Resource and Processors tax which is 3/4 of a percent of gross income. If this state can impose this tax on ore mined on allotted land it is reasonable.

Severance Tax - It is not clear why Mr. Safiri uses a cost of \$4.03 per ton of ore as his severance tax. According to my information, New Mexico charges 0.125% of gross for its severance tax. Based on \$75.60 per ton of ore, I calculate the tax should be \$0.0945 per ton of ore.

Conservation - I am not sure what Mr. Safiri meant by this entry.

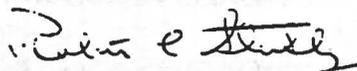
Ad Valorem - I am not sure how Mr. Safiri made this estimate of Ad Valorem tax.

Write Off - I am not sure how Mr. Safiri made this estimate or what his basis is for the write off.

Office - Office costs of \$2.00 per ton ore seem high, considering the nature of this project.

Machinery Cost - I assume this cost refers to the depreciation of capital equipment, however, not knowing the equipment that will be purchased leaves me at a loss for estimating the reasonableness of Mr. Safiri's estimate.

I would like to apologize for the brevity of this analysis; however, considering the nature of the data supplied I feel it is the best I can do.


Robert C. Steckley

ov. 20, leaving nearly a month to produce a final version. That need isn't necessary for an FLPMA withdrawal, but the President must designate any national monument, so speed would be necessary on that route.

Designation of national monuments would keep pressure on prodevelopment forces to get a bill through the next Congress, since, according to Interior Department sources, only an act of Congress could supersede that designation.

The next Congress will start from an antidevelopment position. The bill passed by the House would create about 60-million acres of untouchable wilderness. That would be spread among lands assigned to several categories. National parks, also closed to minerals development, would amount to 43-million acres. Wildlife refuges, generally closed but leasable at the Interior Secretary's discretion, would amount to 54.4-million acres. National forest, generally open for minerals development, would amount to 2.7-million acres.

The bill approved by the Senate Energy Committee would create about 30-million acres of wilderness. Parks would cover 11.2-million acres, wildlife refuges 35.8-million acres and national forest, recreation and conservation areas, all generally open for development, would amount to 21.3-million acres.

WESTERN AREAS GOLD MINE, to the west of Johannesburg, which is looking for consumer finance contracts to establish a uranium recovery operation, has launched an extensive exploratory drilling program on its Middle Elsburg reefs, below the present Upper Elsburg ore body. Some encouraging results have been recorded.

Meanwhile, West Rand Consolidated Mine, also west of Johannesburg, which had reported in its 1977 report that it would not be possible to make further uranium spot sales of any substantial volume, now says it estimates that spot sales of uranium for the 1979 fiscal year will, due to higher production, at least equal the figure achieved in 1977.

JUDGE ROBERT R. MERHIGE CALLED ATTORNEYS FOR ALL PARTIES in the multiple utility uranium-supply suits against Westinghouse to U.S. District Court for the Eastern District of Virginia (Richmond) last Friday afternoon. Specific information regarding the nature and purpose of the meeting were unavailable as of press time, but it was learned that Judge Merhige intended to set preliminary trial schedules for three of the utilities not included in the consolidated case heard earlier this year — Consolidated Edison, Kansas Gas & Electric, and Union Electric.

DOE PREPARES NEW COST ESTIMATES FOR U.S. YELLOWCAKE PRODUCTION

In response to requests from the nuclear industry, DOE's supply analysis division at Grand Junction, Colo., has prepared a new tabulation of costs for the various functions related to U.S. production of U3O8 in concentrate. The figures, presented by division director John Klemenic earlier this month at the annual DOE-sponsored uranium industry seminar, are given in the accompanying table; the full text of Klemenic's paper will be released in the near future.

The included cost ranges and average costs (all in January 1977 dollars) were derived from detailed estimates of costs as-

sociated with the 60 production centers that were considered in DOE's 1977 production-capability projection. That estimate covered a 30-year period (1977-2006) and utilized the agency's \$30-or-less-per-pound forward-cost category of U3O8 resources (as of Jan. 1, 1977).

Klemenic cautions that the table must be read "with the footnotes in mind," since these illustrate key assumptions made in developing the figures. Footnote 2, for example, points out that capital costs do not include "sunk costs" as of Jan. 1, 1977 — a factor that is important in the low end of the cost range, but that ceases to have much influence when the low-end costs are weighted into the average cost. In addition, Klemenic points out, "mining royalty is shown as zero for the low-end of the range . . . because some producers own the properties on which the mining is done."

ESTIMATED U3O8 PRODUCTION COSTS 1.4
Ranges and Averages by Function

	Low	High	Average
Acquisition and exploration costs:			
\$/lb U3O8 recovered	0.30	7.30	2.40
Ore haulage costs:			
\$/ton of ore	0.05	5.10 ³	1.50
Mining costs:			
Open pit, \$/ton of ore:			
Capital ²	6	26	14
Operating	5	15	9
Total	14	34	23
Underground, \$/ton of ore:			
Capital ²	1	33	10
Operating	22	45	31
Total	23	64	41
In-situ, \$/pound U3O8:			
Capital ²	1	4	4
Operating	4	13	7
Total	5	16	11
Milling costs:			
Conventional, \$/ton of ore:			
Capital ²	1	7	1
Operating	4	16	7
Total	5	22	8
In-situ, \$/pound U3O8 recovered:			
Capital ²	1	2	2
Operating	3	7	5
Total	4	8	7
Royalty costs			
\$/pound U3O8 recovered:			
Conventional mining	0	5.70	1.30
Non-conventional	1.00	2.50	1.90

1. As used in 1977 30-year estimate of "could" production capability — January 1977 \$
2. Forward cost as of 1/1/77
3. Second highest — to show highest might reveal company involved
4. Where both uranium and vanadium were assumed to be recovered only costs allocated to uranium are shown.

UNC RESOURCES HAS MADE A 600,000-LB URANIUM SPOT SALE to an unidentified non-U.S. buyer for approximately \$26-million — or roughly \$43.33/lb. Agreement on the deal was reached several months ago, but delivery took place only recently because UNC had difficulty obtaining containers in which to transport the material. Company sources say that the uranium, in the form of UF6, was "borrowed from an unaffiliated third party and will be repaid during calendar years 1981-83, at which time the proceeds of the sale will be reflected in the company's revenues and earnings."

Today's Uranium Milling Costs

Bob Coleman

The recent surge in demand for uranium in the US, accompanied by a significant increase in price, has stimulated the search for and development of lower grade ore bodies. In the mill, this translates into much lower throughputs and—compounded by many recently enacted environmental considerations—has made the cost of milling a critical factor in today's uranium production economics. The three conventional milling methods employed in the extraction of uranium ores are reviewed in the following sections.

1. Leach, Countercurrent Decantation (CCD), and Solvent Extraction or Fixed Bed Ion Exchange

This process is used when two conditions are met—acid requirements are reasonable, in terms of acid cost, and thickener area re-

quirements to separate leached ore from the leach solution are reasonable, in terms of capital cost.

The process begins with crushing, followed by wet or dry grinding to a size suitable for leaching (about 35 mesh for sandstone ores). The leaching is conducted in a series of agitated tanks with 8–16 hours retention time for the pulp. An oxidant such as sodium chlorate is usually needed to maximize uranium solubilization. However, pressure leaching is now replacing atmospheric leaching in some cases to reduce the oxidant requirements.

The uranium-bearing leach solution is separated from the solids in a series of countercurrent thickener tanks. Washed solids from the underflow of the last thickener move to a solid waste tailings pond, while the leach solution is clarified, usually by filtration, and the uranium concentrated in a solvent extraction or fixed bed ion exchange circuit.

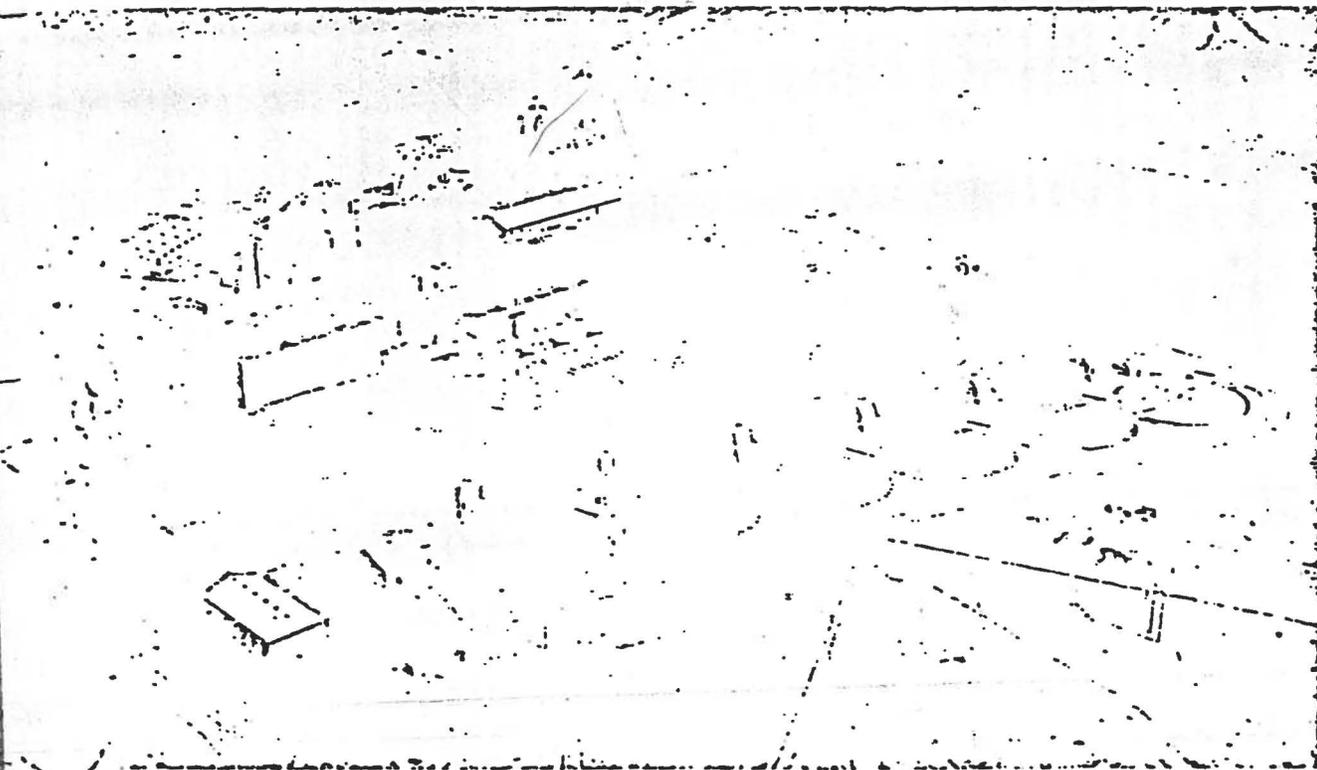
Ammonia or hydrogen peroxide

precipitates uranium from the concentrated solutions, and the precipitate is filtered, dried, and calcined to yellow cake. If the leach liquor contains molybdenum in significant amounts, special provisions may be required to prevent above-specification molybdenum from reporting to the yellow cake product or contaminating the exchanger.

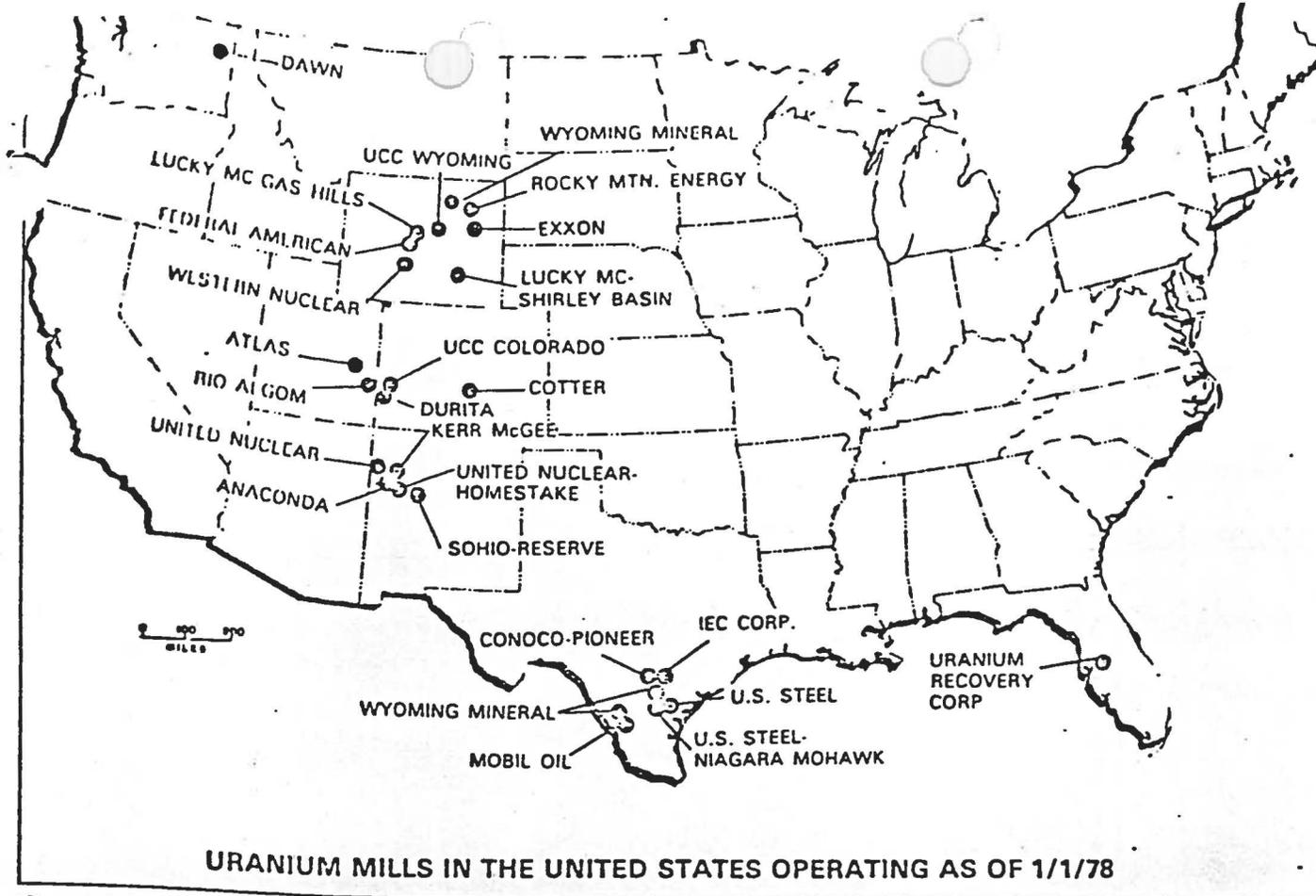
The raffinates from solvent extraction or ion exchange, and solutions from the settled solid waste tailings pond, are recycled to the process stream, evaporated in lined effluent ponds, or both.

Uranium recovery with this method is generally 94–97%, depending on ore grade, with higher grade ore resulting in better recovery. There are now ten operating US mills employing this process with solvent extrac-

Bob Coleman is project manager at Hazen Research Inc., 4601 Indiana St., Golden, Colo. 80401.



See Nuclear Corp.'s uranium milling operation in Grants, N.M. Ray Manley photograph courtesy of Stearns-Roger Corp., Denver.



and two with ion exchange. Three mills, either under construction or in the design phase, have selected the acid leach, CCD process with solvent extraction.

Acid Leach, Resin-in-Pulp, and Eluex

This method is applied to ores with good leach extraction—50 kg of acid per ton of ore feed (100 lb acid per st of ore feed), low oxidant requirements, and low acid-soluble vanadium and molybdenum. In addition, the amount of slimes contained in ground leached pulp should not exceed 35% of feed weight. Slimes in this process are defined as minus 200 mesh.

The process consists of crushing, grinding, and continuous acid leaching with 8–16 hours retention time. The leach slurry is washed by countercurrent with water and/or recycled effluent in a series of cyclones and mechanical classifiers to produce a washed “sand” fraction, which is discarded to tailings. The slime slurry containing most of the soluble uranium for leaching is passed countercurrent through the loading section

of a resin-in-pulp circuit where the uranium values are loaded on resin. Continuous ion exchange columns for slurry feed are being investigated as a replacement for resin-in-pulp systems. Slime slurry is then discarded to the tailings area.

The loaded resin passes countercurrent through a stripping operation

to transfer uranium from the resin to a stripping solution. This solution is processed in a solvent extraction circuit to precipitate the uranium, and the precipitate is filtered, dried, and calcined to yellow cake product. This treatment of stripping solutions from ion exchange resins by solvent extraction is termed “Eluex.”

Table 1—Acid Leach, Countercurrent Decantation, and Solvent Extraction or Fixed Bed Ion Exchange.

Process Parameters			
Leaching			
Temperature			150°F
Pressure			Atmospheric
Retention time			12 hours
Sulfuric acid (20¢/lb cost)			125 lb/ton
Sodium chlorate			3 lb/ton
Countercurrent Decantation Thickener System (Conventional Type)			
Number of stages			8
Area requirements per stage			8 ft ² /ton/day
Wash ratio (ion solution/ton solids)			2.5
Effluent to Evaporation			0.14 gpm/ton feed
Solid Waste Pond			15-year capacity
Capital and Operating Costs			
Plant Capacity Ton Feed/Day	Range of Capital Costs \$1 × 10 ⁶	Cost/Ton of Daily Plant Capacity \$1 × 10 ⁶	Average Direct Operating Cost/ Ton Feed
500	\$ 9.0-10.5	\$18.0-21.0	\$16.00
1000	14.0-16.0	14.0-16.0	11.80
2000	23.0-27.0	11.5-13.5	9.70
3000	30.0-34.5	10.0-11.5	8.70

Company	Location	Nominal Capacity (tons ore per day)
Co.	Grants, New Mexico	6,000
	Moab, Utah	1,100
ioneer	Falls City, Texas	2,900
er Corp.	Canon City, Colorado	450
n Mining Co.	Ford, Washington	400
ita Development Corp.	Naturita, Colorado	.
on Company, USA	Powder River Basin, Wyoming	3,000
eral-American Partners, Corp.	Gas Hills, Wyoming	950
r-McGee Nuclear Corp.	Tuleta, Texas	.
ky Mc Uranium Corp.	Grants New Mexico	7,000
ky Mc Uranium Corp.	Gas Hills, Wyoming	1,650
oil Oil Corp.	Shirley Basin, Wyoming	1,800
Algom Corp.	Bruni, Texas	.
cky Mt. Energy	La Sal, Utah	700
no-Reserve Oil	Powder River Basin, Wyoming	1,000
on Carbide Corp.	Cebolleta, New Mexico	1,660
on Carbide Corp.	Uravan, Colorado	1,300
ited Nuclear Corp.	Gas Hills, Wyoming	1,200
ited Nuclear-Homestake Partners	Church Rock, New Mexico	3,000
ium Recovery Corp.	Grants, New Mexico	3,400
S. Steel	Mulberry, Florida	.
S. Steel-Niagara Mohawk	George West, Texas	.
stem Nuclear, Inc.	George West, Texas	.
oming Mineral	Jeffrey City, Wyoming	1,700
oming Mineral	Bruni, Texas	.
oming Mineral	Sulfur Creek, Texas	.
	Irigaray, Wyoming	.
Total		39,210

Uranium obtained by solution mining, heap leaching, or as a byproduct of another mining activity.

circuit is six hours, and up to 24 hours in an atmospheric leach.

After leaching, solids are filtered, washed, and discarded to solid waste tailings. The soluble uranium in the filtrate is precipitated with sodium hydroxide. The precipitate is filtered, the filtrate recycled to leach, and the uranium precipitate dissolved in sulfuric acid. This solution is filtered, then soluble uranium in the filtrate is precipitated with ammonia. If the uranium precipitate is above specification in vanadium and molybdenum, hydrogen peroxide is used for precipitation rather than ammonia. The uranium precipitate is filtered, dried, and calcined to yellow cake. Uranium recovery for this method ranges from 85-94%, depending on leaching characteristics and ore grade. The process has been installed at four operating mills and is planned at one new mill.

Economic Review of Ore Milling Methods

Capital construction costs for new mills are primarily dependent on plant capacity, but recent regulations governing containment of solid waste tailings and effluent discharge can

... solution from the waste raffinate from solvent extraction are recycled to the process stream and/or evaporated in lined ponds. Uranium recovery with this process is comparable to that obtained with the acid leaching method for similar ores. Four mills are operating with this process, though there are no plans to utilize it in any new mill operations.

Table 2—Acid Leach, Resin-in-Pulp, and Eluex

Process Parameters			
Leaching			
Temperature			150°F
Pressure			Atmospheric
Retention time			12 hours
Sulfuric acid (2.0¢/lb cost)			100 lb/ton
Sodium chlorate			1 lb/ton
Sand Washing			
Number of stages			4
Wash ratio (ton solution/ton "sand")			3.0
Effluent to Evaporation			0.14 gpm/ton feed
Solid Waste Ponds			15-year capacity
Capital and Operating Costs			
Plant Capacity Ton Feed/Day	Range of Capital Costs \$1 × 10 ⁶	Cost/Ton of Daily Plant Capacity \$1 × 10 ⁴	Average Direct Operating Cost/ Ton Feed
500	\$ 8.0- 9.0	\$16.0-18.0	\$15.20
1000	12.5-14.0	12.5-14.0	10.90
2000	20.0-22.0	10.0-11.0	9.10
3000	25.5-28.5	8.5- 9.5	8.10

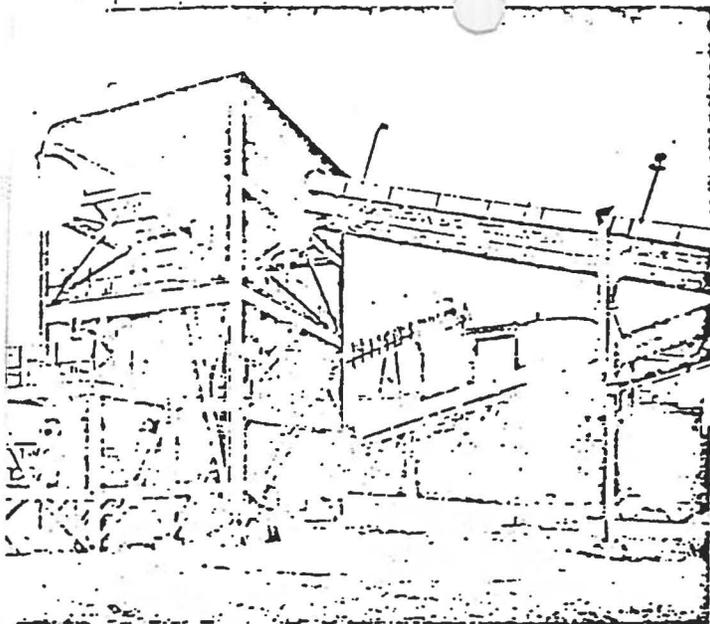
Alkaline Leach, Solid-Liquor Separation, and Precipitation

Alkaline leach is used when ores contain excessive calcium carbonate, making acid leaching economically unattractive due to high acid consumption. The leaching solution is mostly sodium carbonate with some sodium bicarbonate.

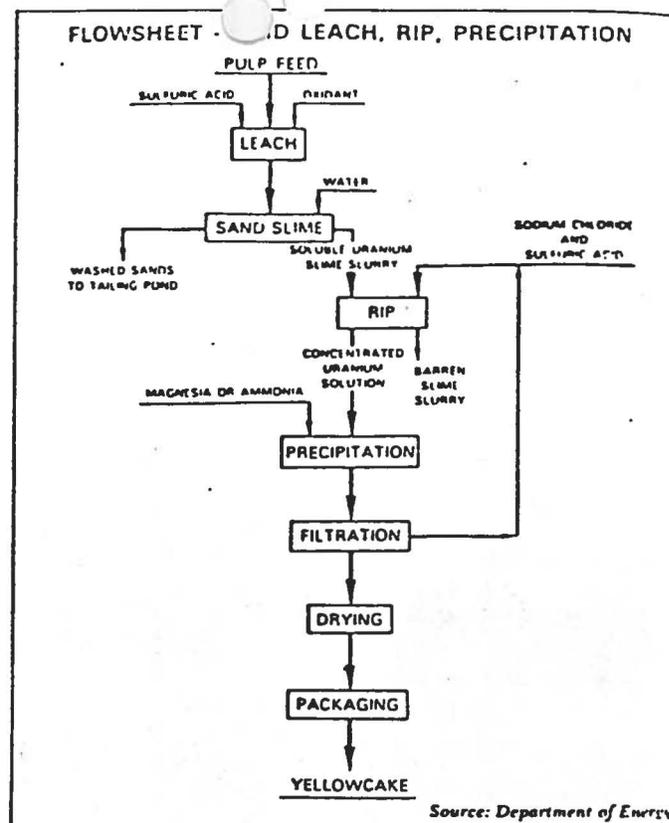
After crushing, the ore is ground in closed circuit to about 65 mesh, which is finer than that required for acid leaching. The classifier overflow is thickened and then leached in a series of autoclaves at about 93°C (200°F) and 345 kPa (50 psi) pressure, although atmospheric leaching is sometimes used. The elevated temperature is maintained with steam, and air or pure oxygen is often injected into the autoclave as an oxidant to increase the solubility of uranium. The average retention time in the autoclave leaching

Table 3—Alkaline Leach, Solid-Liquor Separation, and Precipitation

Process Parameters			
Leaching			
Temperature			200°F
Pressure			50 psi
Retention time			8 hours
Soda ash (3.7¢/lb cost)			50 lb/ton
Filtering Rate of Leached Pulp			30 lb/hr/ft ²
Effluent to Evaporation			0.10 gpm/ton feed
Solid Waste Pond			15-year capacity
Capital and Operating Costs			
Plant Capacity Ton Feed Day	Range of Capital Costs \$1 × 10 ⁶	Cost/Ton of Daily Plant Capacity \$1 × 10 ⁴	Average Direct Operating Cost/ Ton Feed
500	\$15-17	\$30-34	\$18.10
1000	21-24	21-24	14.20
2000	32-35	16-17.5	11.50
3000	40-44	13.3-14.6	10.80



A view of the Conquista uranium ore processing plant near Falls City, Texas. The facility, jointly owned by Continental Oil Co. and Pioneer Nuclear Inc., recently underwent a \$4.5 million expansion which increased plant capacity from 2087 1/d (2300 stpd) to 2631 1/d (2900 stpd).



significantly affect capital costs. For a given capacity of mill feed, the capital cost for a solid waste tailings pond for the mill life is reasonably fixed. This is not the case when considering capital costs for handling mill effluents if one assumes that environmental regulations will require all effluents to be evaporated in lined ponds.

Uranium mills in the western US are generally located in areas where approximately 3240 m² (0.8 acre) of evaporation pond is required to evaporate the equivalent of 3.8 L/min (1 gpm) of effluent. This means that for every 3.8 L/min of fresh water added to a milling operation, approximately 3240 m² of evaporation surface must be available.

The current cost estimate for installing plastic lined ponds, including earthwork but excluding land acquisition, fencing, and effluent feed system, is \$12,000 per 4047 m² (1 acre). Thus, special attention should be given during design of the milling process to minimize fresh water input and maximize recycle of process solutions.

Capital costs in this review exclude interest on monies for primary water supply, access roads, primary power line, or remote location requiring company housing, services, and recreational facilities for employees.

Direct operating costs per ton of ore treated are affected significantly by mill capacity and reagent consumption for a particular ore; whereas operating costs per pound of uranium produced are affected by the grade of ore feed and overall recovery. The direct operating costs presented in this review are based on cost per ton of ore feed. Operating costs, expressed as cost per pound of uranium produced, must be determined for each individual case based on grade of ore feed and overall recovery.

Direct operating costs are defined as all labor costs directly associated with mill operation, including payroll overhead, operating, maintenance, laboratory, and office supplies; chemical reagents, fuel, power, and water; and other direct miscellaneous costs. Specifically excluded as operating costs are legal, auditing, and home

office costs, and amortization of capital costs.

The range of capital costs and average operating costs for the three milling methods are shown in Tables 1, 2, and 3. Costs are based on typical uranium ores—defined as those occurring in unmetamorphosed sandstones, with or without a significant calcium carbonate content; less than 0.20% U₃O₈ content; and sufficiently low in moisture content so that drying is not required prior to crushing.

No costs are included for recovery of byproducts such as vanadium. Since costs can vary significantly depending on ore milling characteristics, certain critical process parameters have been established for each method as a basis for determining costs. Table 4 shows a summary of the number of US mills using, or planning to use, each milling method. A sum-

Table 4—Summary of Processes Employed

Process	(A) Operating	Number of Mills—US		Total A + B
		(B) Planned or Under Construction		
Acid leach, CCD, and SX or IX	12*	15*		27
Acid leach, resin-in-pulp and Elvac	4	0		4
Alkaline leach, solid-liquid separation, and precipitation	4	1		5

* 10 with SX, 2 with IX.
* All with SX.

Table 5—Summary of Capital Costs

Plant Capacity Tons feed/day	Range of Capital Costs—\$1 × 10 ⁴		
	Acid leach, CCD, solvent extraction or IX	Acid leach, resin-in-pulp, Eluex	Alkaline leach, solid-liquor separation, precipitation
500	\$ 9.0-10.5	\$ 8.0- 9.0	\$15-17
1000	14.0-16.0	12.5-14.0	21-24
2000	23.0-27.0	20.0-22.0	32-35
3000	30.0-34.5	25.5-28.5	40-44

of the range of total capital costs for three milling methods at various plant capacity levels is shown in Table 5. Table 6 presents a summary of average operating costs for the three methods at various plant capacities.

Uranium recovery from phosphoric acid has been investigated for many years, but poor demand and low uranium prices limited progress in the area. Today, renewed efforts are being made for extracting uranium from phosphoric acid. Although many advances have been made in the technology of phosphoric acid treatment, uranium recovery is a difficult and fairly costly process. Three basic process steps are involved: Pretreatment of 30% phosphoric acid to remove suspended solid and organic contaminants; use of solvent extraction circuits in phosphoric acid for separating and concentrating uranium from the acid; and precipitating the uranium from the solvent extraction stripping solution. Uranium is recovered from the solvent extraction

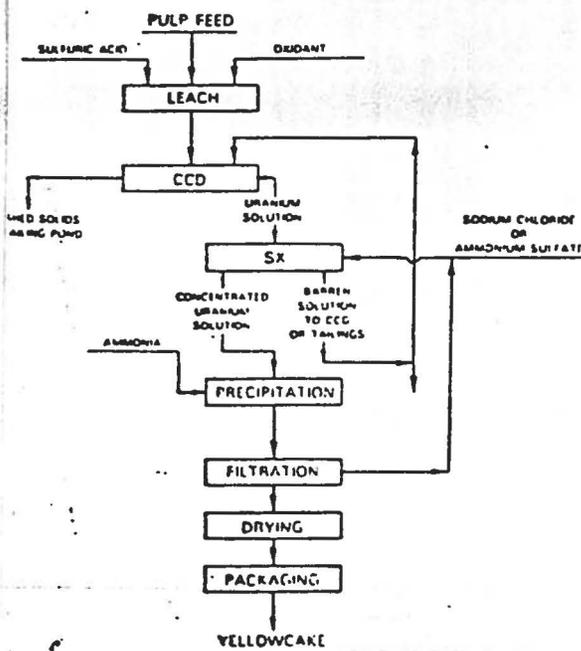
step is phosphoric acid with uranium removed. Operating problems which contribute to the overall cost of recovery include: emulsions in solvent extraction resulting in high solvent losses; iron interfering with loading uranium on the solvent; and corrosion problems because of high fluorine content. Reliable cost data are not currently available, but indicated capital costs range from \$40,000 to \$65,000 per 454 kg (1000 lb) of annual U₃O₈ production, with operating costs over \$20 per 0.45 kg (1 lb) of U₃O₈ produced, including plant amortization.

It has been recognized for many years that low level uranium concentrations, approximately 6 to 20 ppm U₃O₈, are contained in porphyry copper dump leach liquors. No serious effort has been made until recently, however, to recover uranium from these solutions. Test work is under way at several locations, and one commercial recovery plant is in operation. The recovery process consists of passing leach liquors discharged from the copper cementation plant through ion-exchange units where uranium is loaded on the resin. The resin is eluted with sulfuric acid, the elution liquor is fed to a solvent extraction circuit, and uranium concentrated in the solvent strip liquor. Uranium is precipitated from the strip liquor. Actual operating cost data are not available; however, very preliminary estimates indicate the cost per 0.45 kg (1 lb) of U₃O₈ recovered is over \$24 when treating dump leach liquors containing approximately 7 ppm of U₃O₈. □

Table 6—Summary of Average Direct Operating Costs

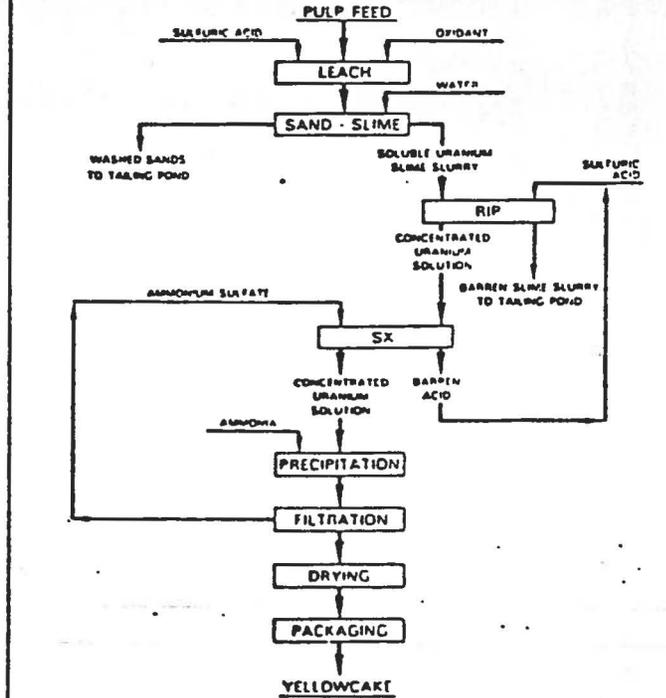
Plant Capacity Tons feed/day	Average Direct Operating Costs-Ton Feed		
	Acid leach, CCD, solvent extraction or IX	Acid leach, resin-in-pulp, Eluex	Alkaline leach, solid-liquor separation, precipitation
500	\$16.00	\$15.20	\$18.10
1000	11.80	10.90	14.20
2000	9.70	9.10	11.50
3000	8.70	8.10	10.80

FLWSHEET - ACID LEACH SOLVENT EXTRACTION (SX)

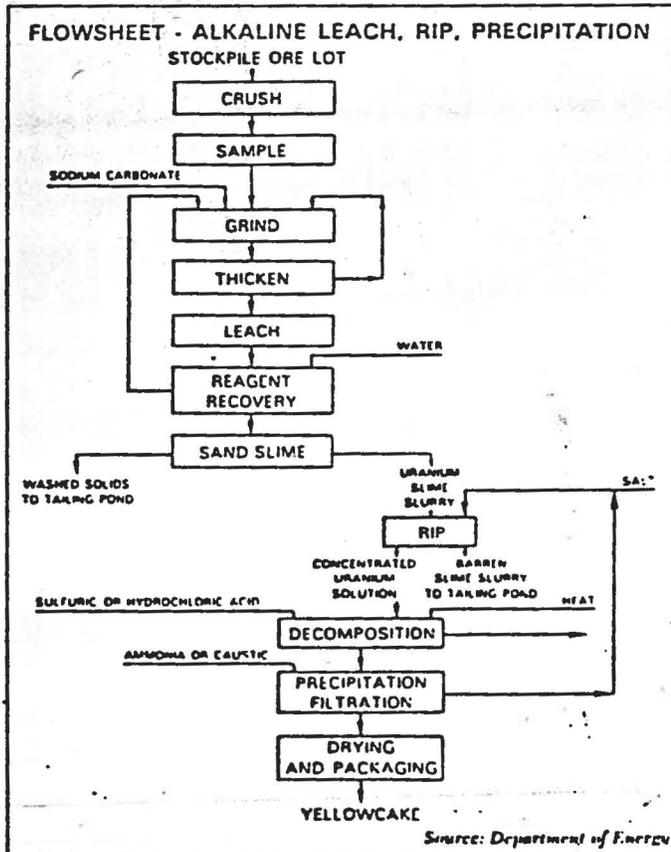
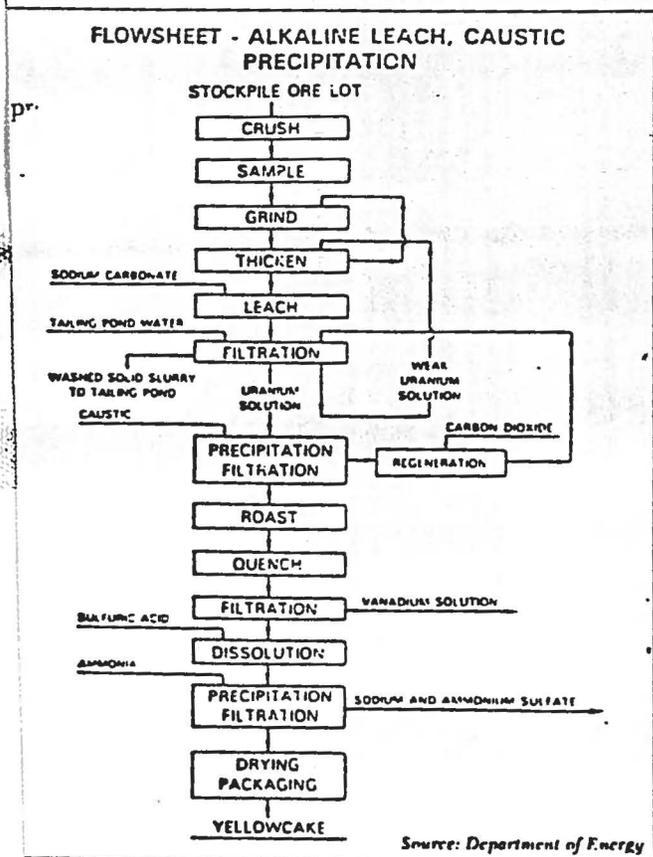
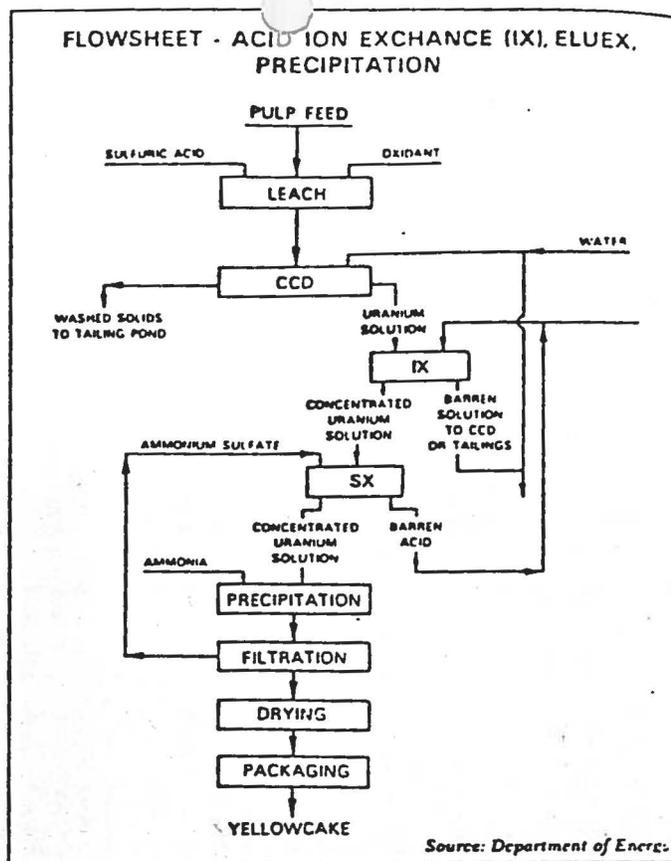
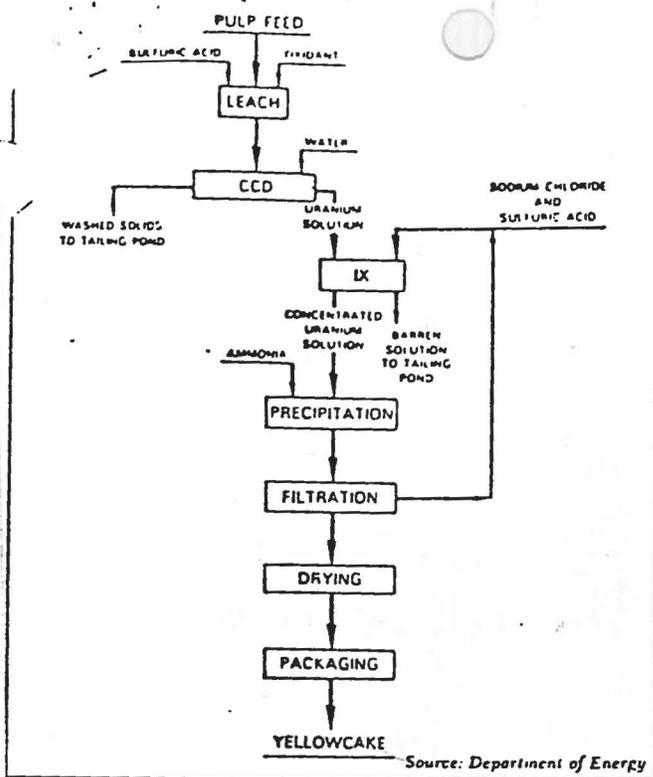


Source: Department of Energy

FLWSHEET - ACID LEACH, RIP, ELUEX, PRECIPITATION



Source: Department of Energy





United States Department of the Interior

BUREAU OF MINES

BUILDING 20, DENVER FEDERAL CENTER
DENVER, COLORADO 80225

Office of Minerals Availability

August 7, 1979

Memorandum

To: Acting Director, Division of Minerals Availability *lk*

Through: Chief, Minerals Availability Field Office *HS*

From: Supervisory Geologist, Minerals Availability Field Office

Subject: Analysis Of Proposed Negotiated Uranium Mining Lease - Navajo Allotment No. 077031.

Per the July 13, 1979 instructions of your memorandum and the BIA request of July 2, 1979, I have attempted to make the subject analysis. I failed in this attempt. The data that was sent did not include costs with which to calculate the reasonableness of the proposed rents and bonuses. My attempts to estimate these costs also fell short as the data did not provide technical information on the proposed type of mining (I assume it will be underground) the size of the mine (tons of ore mined per day), milling methods, ore grades, etc. If the costs or technical data can be provided, I may be able to make the subject analysis.

Robert C. Steckley

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN P. EASTHAM
WILLIAM C. SCHAAB
RAY H. RODEY
ROBERT D. TAICHERT
ROBERT M. ST JOHN
JOSEPH J. MULLINS
DUANE C. GILKEY
MARK K. ADAMS
ROBERT G. MCCORKLE
PETER G. PRINA
BRUCE HALL
JOHN P. SALAZAR
WILLIAM S. DIXON
JOHN P. BURTON

REX D. THROCKMORTON
JONATHAN W. HEWES
GENE C. WALTON
RICHARD C. HIRZNER
W. ROBERT LASATER, JR.
RICHARD K. BARLOW
VICTOR R. MARSHALL
CARL H. ESBECK
MARK C. MEIERING
PAUL D. BARBER
JOE L. McCLAUGHERTY
JAMES S. STARZYNSKI
CATHERINE T. GOLDBERG
CHARLES L. SAUNDERS
KENNETH J. FERGUSON
STANLEY N. HATCH
STEVEN P. BAILEY
DIANE FISHER

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.
COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

330
OF COUNSELLORS
DON L. DICKASON
PEARCE C. RODEY
1889-1988

TELECOPIER 765-5903
TELEPHONE 765-5900
AREA CODE 505

August 31, 1979

Area Director
Navajo Area Office
Bureau of Indian Affairs
Window Rock, Arizona 86515

Re: TRR-A-5c: Brown Vandever

Dear Sirs:

Please refer to my May 29, 1979 letter to you and your June 6, 1979 letter to me.

In your June 6 letter, you stated that as soon as you obtained input from another source, you would determine whether you would grant to Mr. Vandever permission to negotiate with Mr. Warnock, and advise Mr. Warnock of your decision.

Neither Mr. Warnock nor I have been advised of your decision. As you know, if the mining of Mr. Vandever's land is delayed much longer, his land will never be mined and he will lose substantial royalty income. Consequently, I would appreciate your advising me of the status of this matter.

Yours very truly,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: *Mark K. Adams*
Mark K. Adams

MKA:ks

RECEIVED
SEP - 4 1979
ASSISTANT AREA DIRECTOR (Reg.)

AR/BO
ABB'T
MINERALS
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1979 SEP - 4 AM 11:46
AREA DIRECTOR'S OFFICE
NA HAVAJO AREA OFFICE
WINDOW ROCK, AZ.

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SEP 5 1979

AREA ENR. CH. OF
REAL PROPERTY MGMT.



United States Department of the Interior

BUREAU OF MINES
2401 E STREET, NW.
WASHINGTON, D.C. 20241

SEP 25 1979

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September 20, 1979

Memorandum

To: Acting Deputy Commissioner, Bureau of Indian Affairs

From: Director, Bureau of Mines

Subject: Request for preliminary analysis of two proposed Uranium Development Agreements on the Navajo Reservation

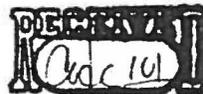
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Enclosed is our response to the subject July 2, 1979, request from Richard Wilson. There was insufficient information provided to make an analysis of the Allotment No. 077031 agreement. A brief evaluation was possible from data given on the Allotment No. 2872 agreement.

It is again our pleasure to provide assistance to the Bureau of Indian Affairs.


Lindsay D. Norman
Assistant Director

Enclosures

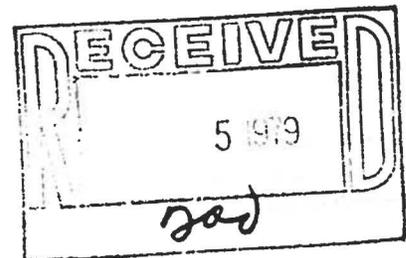


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OCT 24 1979

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REAL PROPERTY MGMT.



10/3/79 - Albuquerque Journal

Uranium Lease Sale a Record

SANTA FE (AP) — The state Land Office received more than \$10 million Tuesday for a 640-acre uranium lease near Grants — the highest amount ever paid for a state lease.

Western Nuclear Inc. of Lakewood, Colo., a subsidiary of Phelps Dodge Corp., bid \$10,000,179.50 for the

lease in the San Mateo area of McKinley County. It was the highest of six bonus bids offered at a special sale.

"That's the highest sale we've ever had at the Land Office for anything," said Jack Pearce, a spokesman for Land Commissioner Alex Armijo.

Armijo was ecstatic about the results.

"We got more than 10 million bucks. Isn't that terrific?" he said.

Armijo had set a minimum acceptable bid on the tract of \$500,000, since uranium in large enough quantities to warrant mining had been found in sections on two sides of the state land.

Western Nuclear's bid exceeded the next highest bid by more than \$4 million. The second high bid, of \$5,797,926, was made by Energy Reserves of Golden, Colo. The lowest bid was \$2,001,979 by Gulf Oil Corp. of Denver.

The tract is two miles northwest of San Mateo, in the heart of the Ambrosia Lake uranium area.

Jack Kennedy, director of the minerals division of the Land Office, said last month it was estimated the section leased contains six million pounds of uranium concentrate — yellow-cake. This would have a value of about \$300 million at a prevailing high price of \$50 a pound.

Royalties payable to the state could total as much as \$30 million, Kennedy said.

The tract is trust land belonging to the public schools.

The Land Office is authorized to deduct 20 percent of the bonus for its operational fund. The remaining 80 per-

cent is paid to the beneficiary, which in this case would be the common school fund.

The 20 percent deduction by the Land Office from all lease sales on the trust lands is more than enough to pay Land Office operations, so the balance is distributed to the beneficiaries at the end of each fiscal year.

Pearce said the highest previous bonus paid for a single lease of state land was \$365,000 for an oil and gas lease. The highest previous bonus total received was

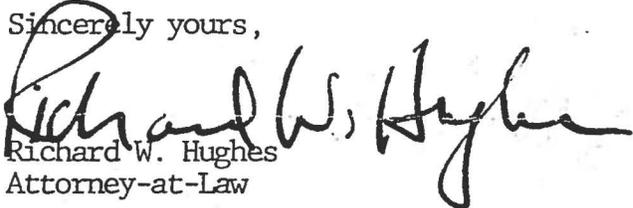
about \$6 million from a regular oil and gas lease sale.

"From our records, Western Nuclear has no other state leases in that area," Pearce added.

The land previously had been leased by Reserve Oil and Nuclear Corp. of Albuquerque. It was not brought into production by the previous lessee within the 10-year period allowed, and that lease expired by its own terms on May 25, 1971, Pearce said.

Several of the Mobil lessors are now represented by counsel, for the purpose of renegotiation of these leases, and their attorney, Mr. Steven Zorn, has extensive experience in these types of deals. What would be the harm in the Bureau meeting with Mr. Zorn, and arriving at a common position on the appropriate goals to be reached in new leases between Mobil and its allottees? The state lease sale makes it apparent that there is plenty of room to negotiate, and for the Bureau to align itself with the attorney for the "holdouts" would very likely result in significant benefits to all of the lessors, without any significant expenditure of effort by the Bureau. It seems like the least you could do, and your trust obligation ought to compel you to do the least, at least.

Sincerely yours,


Richard W. Hughes
Attorney-at-Law

RWH:phm/em

cc: Mr. Forrest Gerard
Mr. Tim Vollman
Mr. Richard Wilson
Mr. Don Dodge ✓
Ms. Claudeen B. Arthur
Mr. David Cannon
Mr. Joseph Gnuca
Mr. Steven Zorn

As to the royalty provisions, I stand on my letter. Your contention that royalty rates are not standardized is difficult to comprehend in light of the complete congruity of the royalty schedules in the old and new Mobil leases. That schedule, by the way, provides an effective rate of about 2.7 to 8.5 percent royalty, based on the grade of ore proposed to be mined by Mobil at Crownpoint (solution mining is a straight 10 percent, but we do not yet know if that process will be commercially feasible) with no guarantee that Mobil will sell the ore for the current market price. If the BIA has actually adjusted a royalty rate schedule on any uranium lease under its jurisdiction, I would appreciate your informing me of the circumstances and the level to which it was adjusted.

As to the bonus amount, I find your effort to defend a paltry bonus by pointing to an inadequate royalty quite unpersuasive. The question is not whether you think the total income under the lease is enough to make the lessor happy, but rather whether the economic return is maximized in all aspects of the lease. In that regard, I enclose a copy of a recent article from the Albuquerque Journal describing a recent sale of a lease of 640 acres of state land near San Mateo, New Mexico (in the Grants Mineral Belt, as is Crownpoint). The bonus on the sale was in excess of \$10,000,000.00 or about \$15,625.00/acre. The lowest bid was \$2,000,000.00, which was still four times the minimum set by the state. The section was said to contain six million pounds of yellowcake. As you may (or may not recall), Mobil expects to recover at least 10 million pounds of yellowcake from only nine of the 40 tracts on which it wants to renew its leases, and it is only offering \$216,000.00 in bonuses on those nine tracts.

The state lease sale tends to confirm my suspicion that Mobil's bonuses are extraordinarily low, and that putting these leases up for bid would have been far more likely to maximize the return to the allottees (to whom, as you acknowledged, the Department has fiduciary responsibilities in these matters).

I have a feeling that some people in the BIA find the prospect of a horde of Navajo millionaires somehow distasteful, and are in the process of making some highly unwarranted moral judgments about how much money the allottees ought to get from their allotments. You should take note that the government's trust responsibility does not permit such paternalism. The Department has a strong and affirmative obligation to see that lease bonuses and royalty rates are the highest possible, consistent with maximum protection of other allottee interests, and I have yet to see any indication that in the Crownpoint situation, at least, that obligation is being even acknowledged, much less fulfilled.

If the lease contained any substantial degree of protection of other allottee interests, a less-than-maximum bonus or royalty might be forgivable, or at least understandable. The Mobil form lease, however, has nothing of the sort. Its broad grant of rights, its indifference toward depletion of groundwater, and in general its attitude of total accommodation of the lessee's interests, constitute an unconscionable abrogation of the BIA's duties to advocate and protect the allottee's interests.



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
WASHINGTON, D. C. 20245

330

IN REPLY REFER TO
Minerals

NOV 2 1979

RECEIVED
BUREAU OF INDIAN AFFAIRS
NOV 9 1979

Memorandum

To: Navajo Area Director

From: Acting Deputy Commissioner

Subject: Proposed Uranium Mining Leases on Navajo Allotments
No. 077031 and No. 059387

Your memoranda of June 7 and 8 requested this office to secure an economic review of the subject proposals from the Bureau of Mines. This was done, although the lack of available operational and mining cost data precluded an in-depth analysis. However, comments and recommendations regarding the proposals were received, copies of which are enclosed. We concur with Mr. Steckley of the Bureau of Mines that the 10 percent of gross value royalty rate contained in 25 CFR 172.18(a) is adequate in these cases. It is suggested, however, since two separate uranium royalty rate studies are now being conducted for the benefit of Indian land, that the leases require a review for possible adjustment of the royalty rate and other financial aspects two years after approval. This will allow for completion of the studies and for the operators to accrue more realistic operational cost data on which to base an analysis.

Any ambiguities in the proposals should be clarified as outlined in the Bureau of Mines' response.

Pursuant to 25 CFR 172.6, and subject to compliance with applicable laws and regulations, you are delegated the authority to grant the owners of the subject allotments permission to negotiate uranium leases on their respective lands.

John J. Miller

RECEIVED

NOV 9 1979

AREA DIRECTOR
REPLY TO

NOV - 9 1979

CV:104 all Subjects
100



Department of Energy
 P. O. Box 2567
 Grand Junction, CO 81501

November 15, 1979

Mr. Donald Dodge, Area Director
 U. S. Bureau of Indian Affairs
 P. O. Box 1060
 Gallup, New Mexico 87301

Subject: DOE Mining Lease NM-B-1

Dear Mr. Dodge:

You are probably aware that in 1974 this office, then part of the Atomic Energy Commission (AEC), awarded a mining lease, on the basis of competitive bids, to George Warnock, Albuquerque, New Mexico for the exploration for and mining of uranium located in Section 13, T 13 N, R 11 W, McKinley County, New Mexico (shown on the attached map). The Atomic Energy Commission acquired control of the mineral rights on this tract, and the lands shown in Sections 3 and 11, pursuant to Public Land Order No. 964. The surface is controlled by the Bureau of Indian Affairs (BIA) pursuant to Public Land Order 2198. BIA granted AEC a use permit (Contract No. N00-C-1420-6386) for the period beginning June 12, 1974, to the termination of the lease.

The lessee commenced exploration in 1974 and mining in 1975 in accordance with AEC approved exploration and mining plans. Production initially was from surface or open pit mining and more recently from underground mining. To date approximately 120,000 tons of uranium ore have been produced and delivered to the United Nuclear-Homestake Partners mill at Grants. Reclamation of the open pits has proceeded in accordance with approved plans and will be completed in a short time.

In the early 1970's, when consideration was being given to leasing AEC withdrawn lands, it was determined that the lands in Sections 3 and 11 would be excluded from the lease offering. The reasoning at that time was that there was little or no indication of uranium mineralization in those sections and there was some concern that mining might disturb the few people residing on or near Section 11. An additional concern was the possibility of prehistoric Indian mounds in Sections 3 and 11.

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NOV 27 1979

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NOV 20 1979
 ASSISTANT AREA DIRECTOR (REG.)

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Let's discuss
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1979 NOV 26 AM 11:10
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 AREA DIRECTOR'S OFFICE
 SAN JAVAJO AREA OFFICE
 WINDOW ROOM, AZ.

November 15, 1979

Recently the lessee, Mr. Warnock, has asked us to consider enlarging his lease to include Section 11 because of the possible extension of uranium mineralization into that section from the NW $\frac{1}{4}$ of Section 13. Were we to grant his request it would be his responsibility to obtain required exploration and mining permits, archeological clearances, etc. We are favorably inclined to grant the lessee's request because of his demonstrated capability to explore, develop and mine the rather lowgrade limestone deposits that other lessees might have abandoned as uneconomic. Whether any ore would be found in either Section 11 or 3 is conjecture at this stage but if ore does occur, it would be mineable only by underground operations which would minimize surface disturbance. Possibly ore located in Section 11 could be mined from openings on Section 13.

Our purpose in contacting you is to solicit your advice and recommendations regarding Mr. Warnock's request. Do you believe that BIA and the Navajo Nation would permit exploration in Sections 3 and 11 and, if uranium ore is discovered, would the lessee be permitted to mine?

We need to make a decision within the next few months because the ore reserves in Section 13 are being rapidly depleted. If it would help, especially if more information is needed, I would be pleased to have members of my staff meet with you whenever convenient to discuss this matter further.

Sincerely,

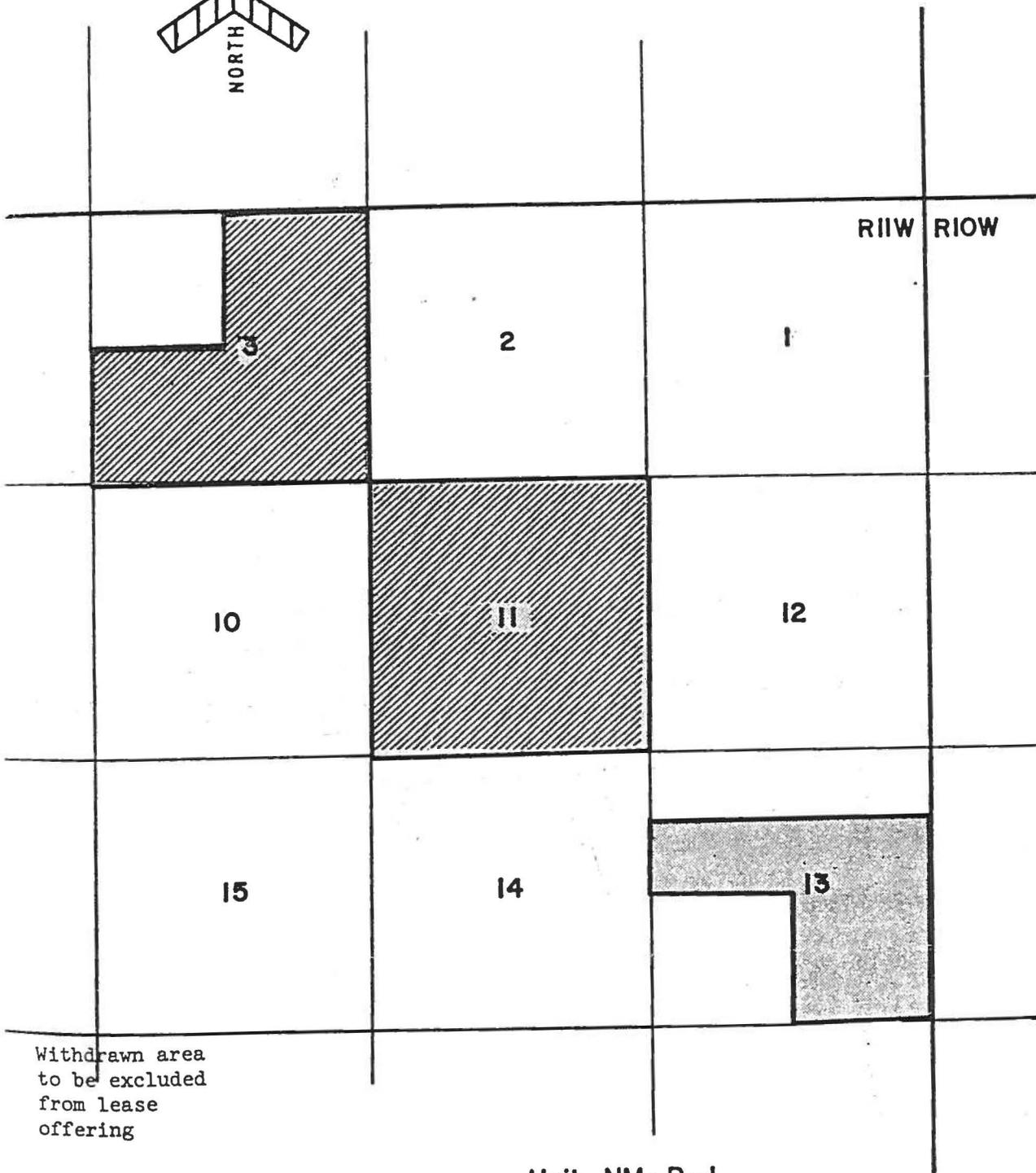


Donald L. Everhart
Manager

Attachment:
As noted

cc: John Azua, w/att.
George Warnock, w/att.

T 13 N



Unit NM-B-1
Haystack Butte Area
McKinley County, New Mexico

acting Lynch
H. Lynch 1/04

Navajo Area Office
Window Rock, Arizona 86515

ARPM/Minerals

JAN 4 1980

Mr. Brown Vandever, C#6841
P. O. Box 262
Prewitt, New Mexico 87045

Dear Mr. Vandever:

This concerns your request for permission to negotiate a uranium mining lease on your allotment to Mr. George Warnock.

Permission is granted for you to negotiate with Mr. Warnock but if the negotiations do not appear favorable on your behalf, the lease may not be approved. Therefore, we request that you come to Window Rock for the purpose of informing you of your rights. This letter is an authority for you to negotiate with Mr. Warnock only.

Please call Thomas Lynch, Real Property Management Officer, for an appointment at 602/871-5151, extension 5334.

Sincerely yours,

15/ Harry Dohm
ACTING
Assistant

Area Director

cc: ARPM/Minerals
Chrono
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M/F.

330:TLYNCH:bjp:12/31/79p

Navajo Area Office
Window Rock, Arizona 86515

ARPM/Minerals

JAN 9 1980

George Warnock
President, Todilto Exploration
and Development Corporation
3620 Wyoming Blvd., N.E., Suite 201
Albuquerque, New Mexico 87111

Dear Mr. Warnock:

Your request for permission to negotiate a uranium mining lease with the owners of Allotment No. 077031 located in the SW $\frac{1}{4}$ of Section 8, T. 13 N., R. 10 W., McKinley County, New Mexico, has been authorized.

Before actual negotiations begin, we need to determine whether or not if the lease negotiation, approval of the lease and subsequent mining will impact the environment in the general locale of the lease. An assessment report will have to be written and approved which may require your assistance. // ✓

First, we need additional information which must be furnished in writing for the record.

1. Your offer of (a) bonus consideration, (b) annual rental, (c) annual minimum royalty, and (d) royalty provision. Indications are that your offer of \$53.00 per acre cash bonus is not adequate compared to other bonus offers on Navajo allotted lands in the general area. Your offer is only 35% of the prevailing bonus considerations on Navajo allotted lands in the Crownpoint area.
2. The royalty schedule application would be from Sale No. 7.
3. Annual rent will be \$5.00 per acre. An advance annual minimum royalty of \$20.00 per acre will be applicable.

Enclosed is a draft of the proposed lease form which you may examine and if you have any questions, please contact Mr. Thomas Lynch at (602) 871-5151, extension 5334. If you do not have any objections to the lease form, you may advise this office so we can prepare the lease for execution by the landowner. We also plan to confer with the landowner at a pre-arranged date.

Sincerely yours,

/S/ TED S. KOENIG

ACTING Area Director

cc: ~~LRPM~~/Minerals
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M/F

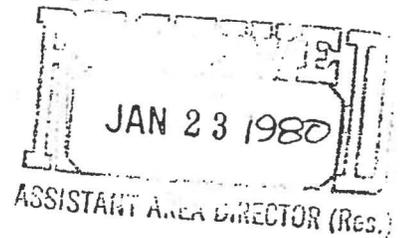
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TODILTO

EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE



January 21, 1980

Mr. Ted A. Koenig
Acting Area Director
United States Department of
the Interior
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona 86515

Dear Mr. Koenig:

Thank you for your letter of January 9th giving us permission to negotiate with Mr. Brown Vandever on Allotment #077031. Concerning bonus consideration, we would like to offer the following for your consideration:

1. You point out that our original offer is only 35% of the prevailing bonus consideration in the Crownpoint area. I believe Mr. Dale Jones of the USGS, or any other uranium geologist familiar with the area, will confirm to you that Mr. Vandever's allotment contains a potential for uranium mineralization within the Todilto limestone. Orebodies in the Todilto limestone are historically much smaller, poorer, and more erratic than those commonly found in the Morrison sandstone-type deposits. The Crownpoint area is all major sandstone-type deposition. Thus, to try to compare the exploration potential of these two areas is really comparing apples and pears. Historically, Todilto limestone-type mineralization results in small, poor-grade orebodies, usually less than several hundred thousand pounds in size. Also, you should know that historically the Haystack deposit adjoining Mr. Vandever's allotment is the largest ever known Todilto limestone-type uranium orebody, and it is only in the 400,000-pound size range.

The old Federal Mine area on Mr. Vandever's allotment has already been mined once. We do not have production data, and thus do not know how many tons and pounds of contained uranium have been mined previously. But, one thing for sure is that the heart, or richest part, of that orebody will have already been mined in the past. Thus, while as previously advised you we know of some good ore adjoining Mr. Vandever's allotment, we must take a realistic view and predict that under the best of

ALBUQUERQUE OFFICE:
HAYSTACK MINE UNIT:
PIEDRA TRISTE MINE UNIT:

3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 287-7921; UNIT 755
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 285-6604

Mr. Ted A. Koenig
January 21, 1980
Page Two

circumstances, Mr. Vandever's allotment will only contain the average size limestone-type deposit, and that that deposit will have already been high-graded.

Another consideration that I hope you will keep in mind, is that the limestone-type ore is captive to only one mill in the Grants area, that being the United Nuclear-Homestake Mill. As a result, we are at a competitive disadvantage, and sell crude ore to the mill at approximately \$20 per pound contained, or less than half of the current yellowcake prices. Secondly, I am sure you are aware that uranium prices are currently depreciating, and we must expect even lower prices over the life of Mr. Vandever's allotment.

Under these circumstances, and considering that the new minimum royalty and rental rates indicated by you will make this property quite expensive to work, it is clearly unrealistic to expect Crownpoint area bonus considerations in the limestone area.

We thus feel that \$75 per acre, or \$13,500 total for the 180 acres would be more than fair, and even perhaps above what we should bid. In any case, we hereby offer the \$75 per acre to Mr. Vandever.

2. The royalty schedule application from Sale #7 is acceptable to us.
3. We understand that the annual rent will be \$5 per acre, and there will be an advance annual minimum royalty of \$20 per acre, which will be lost to Mr. Vandever if no production is gained.
4. We understand the \$15 per acre work commitment, and the \$100 per acre one-time cost for permanent use of the surface.
5. The draft lease attached to your letter is acceptable to us as written.

We are rushing to mail this to you, as I am traveling to the Mine tomorrow morning, and will show this letter to Mr. Vandever and attempt to convince him that our bonus offer is more than fair. I will be in contact with Mr. Lynch once we have discussed our offer with Mr. Vandever tomorrow.

Sincerely,

G. Warnock

GW:dt

cc: Mr. Thomas Lynch

TODILTO

EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

ATTN
AGG'T
MINERALS
ORG
PLANNING
R/W
INT. SEC.
FILE

January 21, 1980

Mr. Ted A. Koenig
Acting Area Director
United States Department of
the Interior
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona 86515

Dear Mr. Koenig:

Thank you for your letter of January 9th giving us permission to negotiate with Mr. Brown Vandever on Allotment #077031. Concerning bonus consideration, we would like to offer the following for your consideration:

1. You point out that our original offer is only 35% of the prevailing bonus consideration in the Crownpoint area. I believe Mr. Dale Jones of the USGS, or any other uranium geologist familiar with the area, will confirm to you that Mr. Vandever's allotment contains a potential for uranium mineralization within the Todilto limestone. Orebodies in the Todilto limestone are historically much smaller, poorer, and more erratic than those commonly found in the Morrison sandstone-type deposits. The Crownpoint area is all major sandstone-type deposition. Thus, to try to compare the exploration potential of these two areas is really comparing apples and pears. Historically, Todilto limestone-type mineralization results in small, poor-grade orebodies, usually less than several hundred thousand pounds in size. Also, you should know that historically the Haystack deposit adjoining Mr. Vandever's allotment is the largest ever known Todilto limestone-type uranium orebody, and it is only in the 400,000-pound size range.

The old Federal Mine area on Mr. Vandever's allotment has already been mined once. We do not have production data, and thus do not know how many tons and pounds of contained uranium have been mined previously. But, one thing for sure is that the heart, or richest part, of that orebody will have already been mined in the past. Thus, while as previously advised you we know of some good ore adjoining Mr. Vandever's allotment, we must take a realistic view and predict that under the best of

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JAN 23 1980

AREA B.A. UNIT OF

ALBUQUERQUE OFFICE:

HAYSTACK MINE UNIT:

PIEDRA TRISTE MINE UNIT:

3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391

P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 287-7921; UNIT 755

P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 285-6604

Mr. Ted A. Koening
January 21, 1980
Page Two

circumstances, Mr. Vandever's allotment will only contain the average size limestone-type deposit, and that that deposit will have already been high-graded.

Another consideration that I hope you will keep in mind, is that the limestone-type ore is captive to only one mill in the Grants area, that being the United Nuclear-Homestake Mill. As a result, we are at a competitive disadvantage, and sell crude ore to the mill at approximately \$20 per pound contained, or less than half of the current yellowcake prices. Secondly, I am sure you are aware that uranium prices are currently depreciating, and we must expect even lower prices over the life of Mr. Vandever's allotment.

Under these circumstances, and considering that the new minimum royalty and rental rates indicated by you will make this property quite expensive to work, it is clearly unrealistic to expect Crownpoint area bonus considerations in the limestone area.

We thus feel that \$75 per acre, or \$13,500 total for the 180 acres would be more than fair, and even perhaps above what we should bid. In any case, we hereby offer the \$75 per acre to Mr. Vandever.

2. The royalty schedule application from Sale #7 is acceptable to us.
3. We understand that the annual rent will be \$5 per acre, and there will be an advance annual minimum royalty of \$20 per acre, which will be lost to Mr. Vandever if no production is gained.
4. We understand the \$15 per acre work commitment, and the \$100 per acre one-time cost for permanent use of the surface.
5. The draft lease attached to your letter is acceptable to us as written.

We are rushing to mail this to you, as I am traveling to the Mine tomorrow morning, and will show this letter to Mr. Vandever and attempt to convince him that our bonus offer is more than fair. I will be in contact with Mr. Lynch once we have discussed our offer with Mr. Vandever tomorrow.

Sincerely,

G. Warnock

GW:dt

cc: Mr. Thomas Lynch

Jan 15, 1980

BIA King's College

George Washington
after

Down \$150 per acre or
 \$24,500 for 160 ac.
 Rent \$5.00 per acre or
 \$816.90 for 160 ac. year
 (average annual royalty
 \$22.00 per acre or
 \$3,267.60 per year with
 first year
 Production Royalty
 Fall 7 months,
 subject to review or
 adjustment for year
 after production begins

1. Down \$53.00 per acre or \$8,480 for 160 ac.
2. Rent \$1.00 per acre or \$163.38 for 160 ac.
3. Lease income royalty \$7.00 per acre plus \$1.00 per acre for 160 ac.
4. Production Royalty Fall 7 months

TODILTO

EXPLORATION AND DEVELOPMENT CORPORATION

REPORT	T
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R/R	
BR. SEC.	
FILE	

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

January 23, 1980

Mr. Thomas Lynch
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona 86515

Dear Mr. Lynch:

Todilto Exploration and Development Corporation is now securing mineral rights from Brown Vandever for BIA-allotted land located in the southwest quarter of Section 18, T13N, R10W, McKinley County. We are at this time developing an exploration plan for this property.

As can be seen on Map D-14, several homesteads are in the area. Because of the new laws from the USGS concerning uranium exploration drilling on Tribal and allotted uranium leases, we cannot drill closer than 250 feet to the dwellings without written permission from you and Mr. Brown Vandever. Thus, permission is requested from your department for Todilto Exploration and Development Corporation to drill within 50 feet of the dwellings. High priority areas are outlined in red, with the possibility of closer than 250-foot drilling outlined in green. Drilling in the areas outlined in green will only be done if initial drilling results indicate the need to.

Todilto will make every effort to assure that no damage, unnecessary noise or inconvenience will occur to the people or their property in these areas.

Sincerely,



Timothy J. Pearson
Exploration Geologist

TP:dt
Enclosure

RECEIVED

JAN 28 1980

AREA 2.2
REAL PRO...

ALBUQUERQUE OFFICE: 3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391
HAYSTACK MINE UNIT: P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 287-7921; UNIT 755
PIEDRA TRISTE MINE UNIT: P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 285-6604

TODILTO

EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

SEARCHED
SERIALIZED
INDEXED
FILED

January 23, 1980

Mr. Brown Vandever
c/o Milton Vandever
P. O. Box 525
Prewitt, New Mexico 87045

Dear Mr. Vandever:

Todilto Exploration and Development Corporation is at this time developing an exploration plan for the southwest quarter of Section 18, T13N, R10W, McKinley County.

Several homesteads are in the area, and because of new laws from the USGS concerning uranium exploration drilling on Tribal and allotted uranium leases, we cannot drill closer than 250 feet to the dwellings without written approval from you and the BIA.

We are thus asking you to sign below to give us permission to drill within 50 feet of any dwelling on the property. Todilto will make every effort to assure that no damage, unnecessary noise or inconvenience will occur to the people or their property in the area.

Sincerely,



Timothy J. Pearson
Exploration Geologist

TP:dt

BROWNVANDEVER
Brown Vandever

Milton Vandever
Witness

JAN 25 1980

ALBUQUERQUE OFFICE:
HAYSTACK MINE UNIT:
PIEDRA TRISTE MINE UNIT:

3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 287-7921; UNIT 755
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 285-6604

TODILTO
EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

January 23, 1980

Mr. Brown Vandever
c/o Milton Vandever
P. O. Box 525
Prewitt, New Mexico 87045

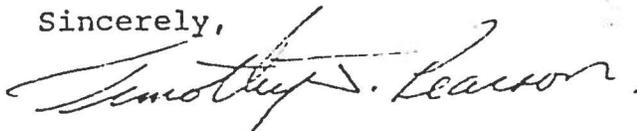
Dear Mr. Vandever:

Todilto Exploration and Development Corporation is at this time developing an exploration plan for the southwest quarter of Section 18, T13N, R10W, McKinley County.

Several homesteads are in the area, and because of new laws from the USGS concerning uranium exploration drilling on Tribal and allotted uranium leases, we cannot drill closer than 250 feet to the dwellings without written approval from you and the BIA.

We are thus asking you to sign below to give us permission to drill within 50 feet of any dwelling on the property. Todilto will make every effort to assure that no damage, unnecessary noise or inconvenience will occur to the people or their property in the area.

Sincerely,



Timothy J. Pearson
Exploration Geologist

TP:dt

RECEIVED

BROWN VANDEVER
Brown Vandever

Milton Vandever
Witness

JUN 25 1980

AREA ENGINEER
REAL PROPERTY

ALBUQUERQUE OFFICE:
HAYSTACK MINE UNIT:
PIEDRA TRISTE MINE UNIT:

3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391
P. O. BOX 726 GRANTS, NEW MEXICO 87020, (505) 287-7921; UNIT 755
P. O. BOX 726 GRANTS, NEW MEXICO 87020, (505) 285-6604

Navajo Area Office
Window Rock, Arizona 86515

FILE COPY

S. J. Jones

[Handwritten signature]

ARPM/Minerals

FEB 22 1980

Todilto Exploration and Development Corp.
3810 Academy Parkway South, N.E.
Albuquerque, New Mexico 87109

Gentlemen:

Your letter dated January 23, 1980, requests permission from this office and Brown Vandever, to conduct exploration drilling closer than 50 ft. to Mr. Vandever's dwelling on the SW $\frac{1}{4}$ of Section 18, T. 13 N., R. 10 W., NMPM. It appears that in anticipation of obtaining a mining lease on the allotment of Brown Vandever that you are developing an exploration plan.

You stated that Todilto will make every effort to assure that no damage, unnecessary noise or inconvenience will result to the people or their property.

Before you make any further plans to develop an exploration plan or even enter the lands, you must have an approved mining lease approved by this office. The subsequent exploration and mining plan must also be approved. Any exploration plan while being developed must include specific provisions guaranteeing no damage, unnecessary noise or inconvenience will occur to the people on their property.

You are requested not to anticipate approval of the lease to avoid possible trespass of Brown Vandever's allotment.

Please contact this office if you have any questions.

Sincerely yours,

JACK KYJELM

Area Director

cc: U.S.G.S. - Albuquerque, NM
ATTENTION: Mr. Dale Jones
ARPM/Minerals - Brown Vandever
Chrono
300
M/F

330:TLYNCH:bjp:02/19/80a

JVK
OK
310
330486

TODILTO

EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK
PRESIDENT

H. B. (CHICK) WARNOCK
VICE PRESIDENT - FINANCE

ARPMO
ASST
MINERALS
OGG
LIBAG
R/W
BR. REC.
FILE

February 27, 1980

Mr. Jack V. Kyselka, Jr.
Acting Assistant Area Director
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona 86515

Dear Mr. Kyselka:

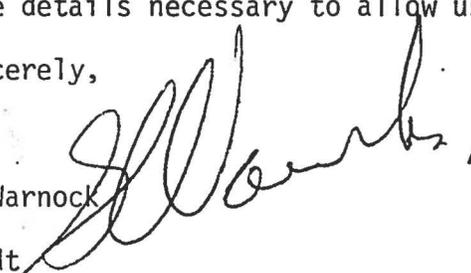
Thank you for your letter of February 22 concerning our Mr. Tim Pearson's request for permission to drill closer than 50 feet to Mr. Vandever's dwelling on the SW $\frac{1}{4}$ of Section 18, T13N, R10W.

As you observed, this is in anticipation of obtaining a mining lease, which lease definitely is not yet signed. Please rest assured that we fully understand that we cannot and will not enter this piece of ground prior to having both the lease signed and our exploration plan approved. As you observed, we are only trying to get a head start on the administrative details necessary to allow us entry to the property.

Sincerely,

G. Warnock

GW:dt



RECEIVED
MAR - 5 1980
ASSISTANT AREA DIRECTOR (Res.)

RECEIVED

MAR 6 1980

AREA E.A. OF
REAL PROPERTY UNIT.

ALBUQUERQUE OFFICE:
HAYSTACK MINE UNIT:
PIEDRA TRISTE MINE UNIT:

3810 ACADEMY PARKWAY SOUTH N.E., ALBUQUERQUE, NEW MEXICO 87109. (505) 345-8391
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 287-7921; UNIT 755
P. O. Box 726 GRANTS, NEW MEXICO 87020. (505) 285-6604

RECEIVED

MAR 3 1980

DEPT. OF FORESTRY

RECEIVED

FEB 29 1980

BRANCH OF FORESTRY

NAVAJO AREA OFFICE
WINDOW ROCK, ARIZONA 86515

ARPM/Minerals

MAR 20 1980

George Warnock
3810 Academy Parkway South, N.E.
Albuquerque, New Mexico 87109

Dear Mr. Warnock:

Enclosed are four mining lease forms which you and Mr. Brown Vandever may complete and return within 30 days from the date of this letter.

Also, enclosed is bond form #5-154b, which should be in the amount of \$5,000, to insure your compliance with the lease terms. You will be required to file another bond with the mining plan prior to its approval.

You may return the completed lease with your check made payable to the Bureau of Indian Affairs in the amount of \$16,338.00 for the bonus of \$75.00 per acre; annual minimum royalty of \$20.00 per acre and \$5.00 per acre advance annual rent. The \$100.00 per acre one-time cost for permanent use of the surface for excavation, waste and construction purposes will be \$200.00 per acre.

Sincerely yours,

/s/ Thomas Lynch

Acting Assistant

Area Director

Enclosures

bcc: ARPM TRR/1105/13a(2)
Mineral Chrono
Chrono
M&F
300

330:LYNCH:jb:03/18/80p

ENVIRONMENTAL EXAMINATION OF PROPOSED
URANIUM MINING LEASE ON
NAVAJO ALLOTTED LAND

Land use in the area of the proposed lease site consist of rangeland grazing and energy resource development. Energy resource development consists of uranium mining and milling. However, no uranium milling operations are being considered for the lease site.

No future developments, other than the proposed mining operation is planned in the immediate area of the lease site.

Construction of a coal-fired steam electric generating facility by Plains Electric Generation and Transmission Cooperative, Inc. is planned approximately 10 miles northwest of the lease site. Neither project can be expected to have any impact upon the other.

There are no major urban centers near the lease site. The closest communities are Grants-Milan, approximately 15 miles southeast, San Mateo approximately 16 miles east and Thoreau, approximately 16 miles west.

Operations of the proposed mine on the lease site will have little to no direct effect on these communities.

Topography in the area consists of sandstone outcrops, bedrock and some sholes. Soils range from a fine sandy loam to a thin silty clay loam.

The lease site is situated approximately one mile southwest of Mesa Montenosa, at the base of Haystack Mountain, a well known mesa in the area.

There are no perennial surface waters within the lease site. There are no floodplains or wetlands as defined in Executive Orders 11988 and 11990, respectively, within the lease site.

The proposed mine site lies within the Bluewater Basin, whose principal aquifers lie in the Gloriets Sandstone and overlying San Andreas limestone formations.

The shallow depth (150' - 180') of the proposed mining operation relative to the depth of the aquifers is such that the proposed project will have no effect upon them.

There will be little to no impact on the wildlife in the area of the lease site since no major surface disturbances or activities are planned.

There are no known cultural resources located on the project site. However, an archeological survey and archeological clearance shall be required prior to the commencement of any exploration or mining activities on the lease site.

Because of the nature of the proposed exploration and mining activities on the lease site, no long term adverse impacts are anticipated by the proposed federal action.

The review and approval process of the required mining and mining reclamation plans will provide assurance of mitigating actions required to negate or reduce any adverse impacts resulting from the proposed operations.

DESCRIPTION OF THE PROPOSED
URANIUM MINING LEASE ON
NAVAJO ALLOTTED LAND

In February 1975, the Navajo Area Office, Bureau of Indian Affairs received a request from Mr. George Warnock for permission to negotiate a uranium mining lease with Brown Vandever, the allottee. The allotment is located in the SW $\frac{1}{2}$ of Sec. 18, T. 13 N., R. 10 W., McKinley County, New Mexico, containing approx. 163.38 acres, more or less. The land is located on or near Haystack Mountain in the Grants mineral belt north and east of I-40 near Prewitt, New Mexico.

Considerable mining was done on this allotment during the 1950s when it was not economical to mine low grade ore. Much of the high grade has been mined. Mr. Warnock feels that sufficient quantities of commercial grade ore remains. He also plans to undertake an exploration program upon approval of the lease to determine an estimated ore body. He presently holds a mining lease from Mr. Walter Vandever and heirs Allotment No. 077411, located in the N $\frac{1}{2}$ of N $\frac{1}{2}$ of Sec. 13, T. 13 N., R. 11 W., NMPM, McKinley County, New Mexico.

Mr. Warnock's request was denied due to the high uranium price and because a negotiated lease was not considered to have resulted in the best deal for Mr. Vandever without the benefit of an advertised sale so in October 1975, Mr. Vandever's allotment was included in uranium lease sale #7. Mr. Warnock's Company, Todilto Exploration and Development Corporation, submitted a bid on the allotment but the BIA rejected his bid of \$2.56 per acre. However, he was successful on another tract adjacent or near this tract on which he holds mining lease approved by the BIA.

Mr. Brown Vandever's land is bounded on two sides by property which the above corporation is presently mining and producing. Also the landowner since 1975 has been in support of Mr. Warnock's request to enter into a mining lease and has been very active in supporting the request.

The BIA has not received inquires or other requests for a mining lease on this allotment and is therefore considered an isolated tract located in a unique situation adjoining an on going mining operation. If any environmental impacts have subjected this tract to any health or other problems, surely Mr. Warnock's mining operation would have considered the cause of any adverse affects. His mining operations have brought employment to Navajo Indians plus non-Indians over the 4 years of his mining activity. The approval of this mining lease and subsequent exploration and mining operations will not result in any adverse environmental affects to quality of life. The surface of the allotment will not be disturbed by any surface mining except for the normally required mine portals or other mine entries including surface facilities. However, this entry to the underground ore bodies in this allotment is to mined through existing underground drifts

(workings), Mr. Warnock does not plan any additional surface disturbance to gain access to the ore bodies. The only surface disturbance will result from exploration drilling required necessary to delineate and evaluate the location of ore bodies.

On January 15, 1980, the landowner met with the Area Realty Officer and received advice and assistance on negotiation procedures. The terms and conditions of the lease were explained to Mr. Vandever. Mr. Warnock's offer and suggestions for the highest monetary benefits to be gained were discussed with him. Mr. Vandever subsequently telephoned the Area Realty Office and advised of his acceptance of Mr. Warnock's offer instead of figures suggested by the Area Real Property Management Office. Mr. Vandever said he had decided to accept Mr. Warnock's cash bonus offer of \$75.00 per acre, \$5.00 per acre annual rent and a \$20.00 per acre annual advance minimum royalty and the royalty schedule as contained in leases from uranium lease Sale #7.

Prior to January 15, 1980, the Bureau of Indian Affairs requested and received comments on Mr. Warnock's original bonus offer of \$53.00 per acre, \$1.00 per acre rent and royalty contained in sale #7 schedule. The Bureau of Mines staff of mineral economists evaluated the proposal on the basis of available information furnished by Mr. Warnock. The Bureau of Mines recommended a flat 10% royalty - 10% of the value of the yellowcake meaning the sales and/or gross receipts for the yellowcake from the buyer after allowance for transportation costs.

This information was contained in Washington office letter of 11/29/79 transmitting the evaluation report which are made a supportive part of this examination. Further review of this 10% recommendation against the royalty schedule from Sale # 7 with the Area Mining Supervisor, U. S. Geological Survey and off-recorded consultation with the Navajo Tribe's Office of Mineral Development technical staff members revealed that Sale #7 schedule would result in higher returns primarily due to the higher price to be paid for yellowcake as the grade of ore increases. Whereas, a flat 10% rate would return a flat 10% of the net value regardless of the grade of ore. It was decided to recommend to Mr. Vandever to accept the Sale #7 royalty schedule.

The many occasions of telephone conversations with various technicians and advisors which lead to this decision to authorize a negotiated sale, unfortunately will not be made a part of this examination due to their cumbersome content and lack of write-ups but without such conversations this decision would not have been possible.

The following are references to letters and reports and/or recommendations in the file supportive to this examination:

1. Numerous requests from Mr. Warnock and Mr. Vandever for permission to negotiate beginning in February 1975.

2. Area Real Property Management Office request on proposed action dated February 17, 1979.
3. U. S. Geological Survey reports to the Bureau of Indian Affairs dated March 20, 1979 and March 26, 1979 with inspection report dated April 12, 1977.
4. Washington Bureau of Indian Affairs letter of November 2, 1979 with Bureau of Mines report.
5. Telephone conversation on April 1, 1980, Mr. Warnock advised Mr. Lynch that his open mine operation started in June 1975 in Sec. 19 and into Sec. 13 in July 1975. Also, he indicated that the exploration plan has been submitted to U. S. Geological Survey, plan consists of drilling 165 holes for 20,000 ft. and request to fill in 1,000 holes. The plan is for underground mining 150' - 180' depth, life of the mine is estimated at 5 years. More definite information will be provided as the results of the drilling program. Drilling program may indicate need for surface disturbance if ore is shallower than 150'.

In addition to the above considerations, the Mining Engineer, U. S. Geological Survey and the Washington Bureau of Indian Affairs were contacted by phone and discussed the economics of a lease operation by a second operation adjacent to an on-going operation probably would be unattractive, while the present operator at the location would not be required to start a new drilling and mining program. The present operator is already in possession of the geology information and other data to enable a continued operation. His mining equipment is already in place. A new operator would not have these benefits immediately upon approval of the lease.

The provisions of 25 CFR 131 and all applicable regulation have been met and included in the lease stipulation as it pertains to the following, but not limited to 25 CFR 172, 177, and 30 CFR 231, except as qualified herein. Rate of royalty, the annual rental or the term of the lease may not be changed by a future regulation without the written consent of the parties to this lease, except as provided in this lease.

Inspection to the leased land appurtenances, and all documents of the lessee may be inspected by the lessor, his Agents, or the Secretary.

The lessee requires to file a mining and reclamation plan before commencing any exploration and mining operations on the leased premise. The plan must include provisions to preserve and protect the natural environment conditions of the land encompassed by this lease, or land affected by his exploration or mining operations, and restoration of disturbed areas. The U. S. Geological Survey will approve the mining plan and will enforce the lease provisions and the mining reclamation plan.

It has been determined that this action does not significantly affect the quality of the human environment to require the preparation of an environmental impact statement under Section 102 (2) (c) of the National Environmental Policy Act of 1969 42 U.S.C. 4223 (2) (c).